

Cost Sharing Shifted Away From Deductibles When Employers Added Pre-Deductible Coverage for Preventive Services in Response to Increased IRS Flexibility

IRS Notice 2019-45 allows health savings account (HSA)-eligible health plans the flexibility to cover 14 medications and services used to prevent the exacerbation of chronic conditions prior to meeting the plan deductible. [A 2021 Employee Benefit Research Institute \(EBRI\) survey of employers](#) collected information on their response to the 2019 guidance and found that many employers added pre-deductible coverage as a result of the IRS notice. A [recent EBRI report](#) based on claims data from about 2 million HSA-eligible health plan enrollees confirmed the findings from the 2021 EBRI survey — fewer enrollees in HSA-eligible health plans have deductibles for services impacted by the IRS notice, and cost sharing has shifted from deductibles to copayments and coinsurance.

IRS Notice 2019-45

The U.S. Department of Treasury issued guidance on July 17, 2019, via IRS Notice 2019-45 to further increase the flexibility of HSA-eligible health plans to cover specific low-cost preventive services to prevent the exacerbation of chronic conditions on a pre-deductible basis.¹

Figure 1

Chronic Disease Management Services in the Expanded Safe Harbor

Preventive Care Service	For Individuals Diagnosed With
Angiotensin-converting enzyme (ACE) inhibitors	Congestive heart failure, diabetes, and/or coronary artery disease
Antiresorptive therapy	Osteoporosis and/or osteopenia
Beta blockers	Congestive heart failure and/or coronary artery disease
Blood pressure monitor	Hypertension
Inhaled corticosteroids	Asthma
Insulin and other glucose-lowering agents	Diabetes
Retinopathy screening	Diabetes
Peak flow meter	Asthma
Glucometer	Diabetes
Hemoglobin A1c testing	Diabetes
International normalized ratio (INR) testing	Liver disease and/or bleeding disorders
Low-density lipoprotein (LDL) testing	Heart disease
Selective serotonin reuptake inhibitors (SSRIs)	Depression
Statins	Heart disease and/or diabetes

Source: <https://vbidcenter.org/initiatives/hsa-high-deductible-health-plans-2/>

With IRS Notice 2019-45 in place, all HSA-eligible health plans are now able to adopt a more flexible benefit design offering more protection for certain medical services through a value-based insurance design (V-BID) plan structure.

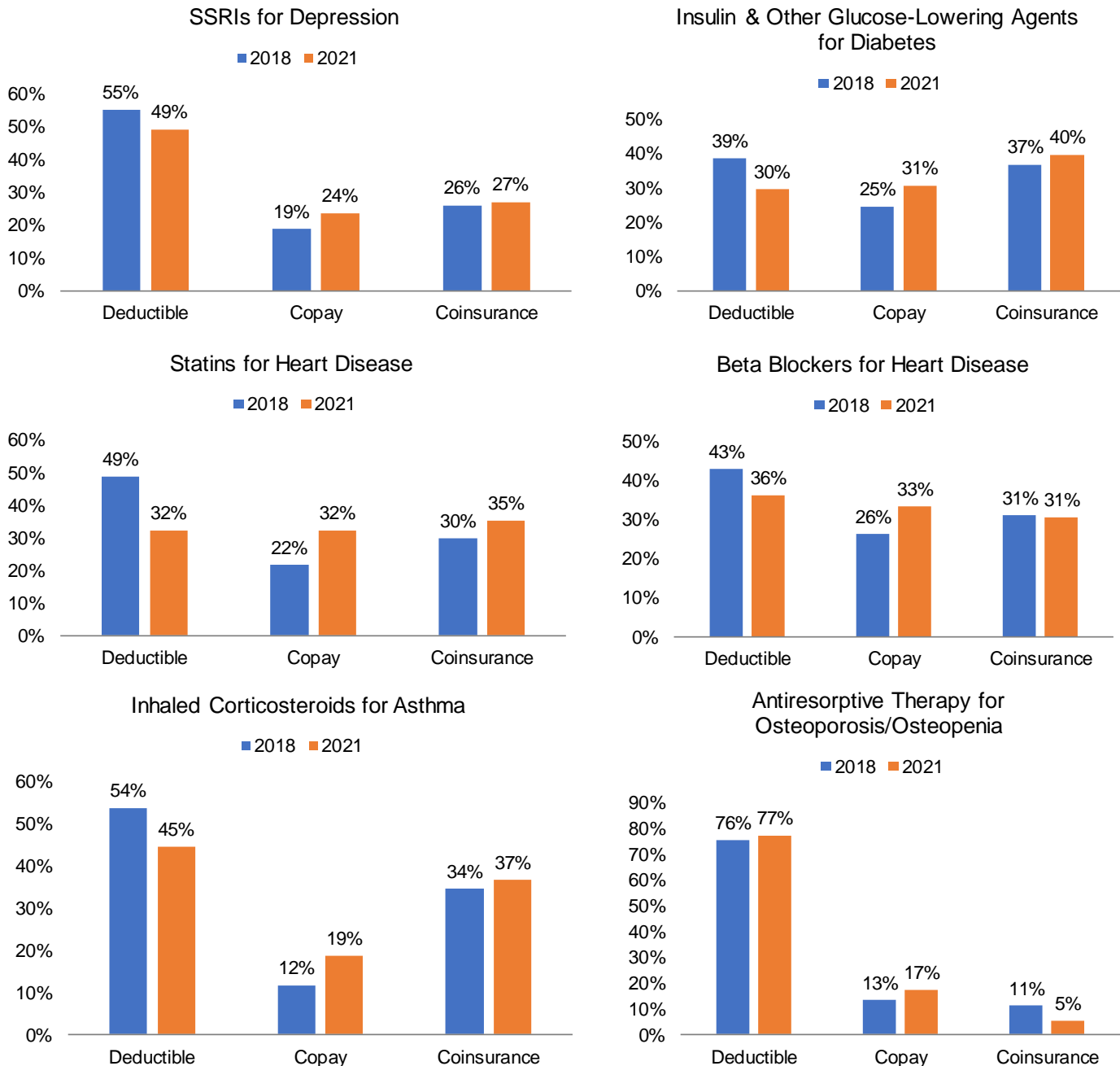
¹ See <https://www.irs.gov/pub/irs-drop/n-19-45.pdf>.

Key Findings From the Study:

- Cost sharing shifted from deductibles to copayments and coinsurance among enrollees in HSA-eligible health plans for a number of services impacted by IRS Notice 2019-45. The same shift was not observed for enrollees in other types of health plans.
- IRS Notice 2019-45 appears to have had a negligible impact on overall cost sharing as a percentage of total spending on a number of services impacted by the notice. This may be due to the fact that employers were more likely to change their cost sharing approach instead of eliminating it.

Figure 2

Cost Sharing by Type of Health Care Service, Among HSA-Eligible Health Plan Enrollees



Source: Employee Benefit Research Institute estimates based on administrative enrollment and claims data.

According to the 2021 EBRI survey, employers would add coverage for additional services if allowed by the IRS. There is also bipartisan, bicameral legislation that has been introduced in the U.S. Congress that would provide additional flexibility to extend pre-deductible coverage to services that manage chronic conditions (S. 655).² Employers and policymakers have an appetite for more flexible plan designs or “smarter” deductibles, because rising health care spending has created serious fiscal challenges. Smarter deductibles may also benefit plan enrollees.

About EBRI: The Employee Benefit Research Institute is a private, nonpartisan, and nonprofit research institute based in Washington, D.C., that focuses on health, savings, retirement, and economic security issues. EBRI does not lobby and does not take policy positions. The work of EBRI is made possible by funding from its members and sponsors, which include a broad range of public and private organizations. For more information, visit www.ebri.org.

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² See <https://www.congress.gov/bill/118th-congress/senate-bill/655>.