

## Use of Health Care Services Increased After Employers Added Pre-Deductible Coverage 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 expected findings from the 2021 EBRI survey — as a result of fewer enrollees in HSA-eligible health plans having deductibles for services impacted by the IRS notice, use of health care services increased for some of these services.

### 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.<sup>1</sup>

**Figure 1**

| <b>Chronic Disease Management Services in the Expanded Safe Harbor</b> | <b>For Individuals Diagnosed With</b>                              |
|--|--|
| <b>Preventive Care Service</b>   |  |
| 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/>

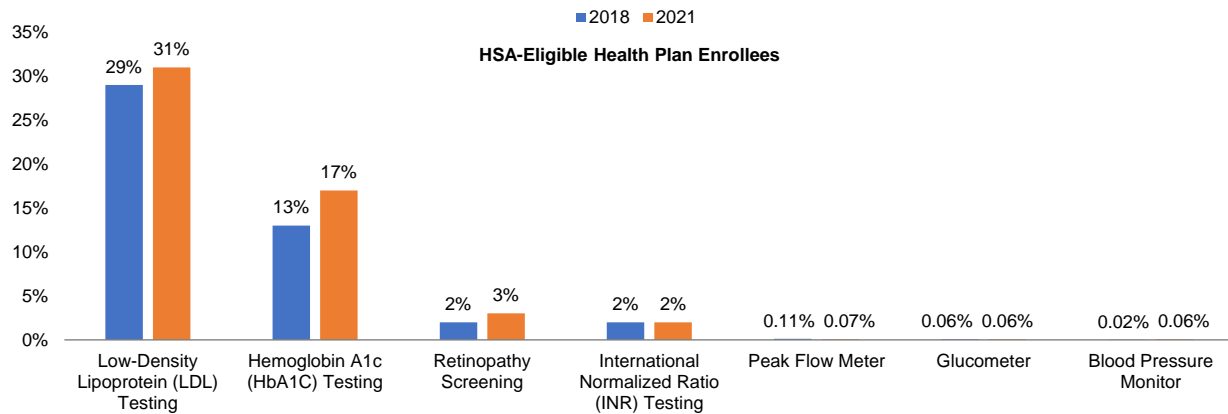
With IRS Notice 2019-45 in place, all HSA-eligible health plans are now able to adopt a more flexible benefit design offering more protection for certain medical services through a value-based insurance design (V-BID) plan structure.

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

## Key Findings From the Study:

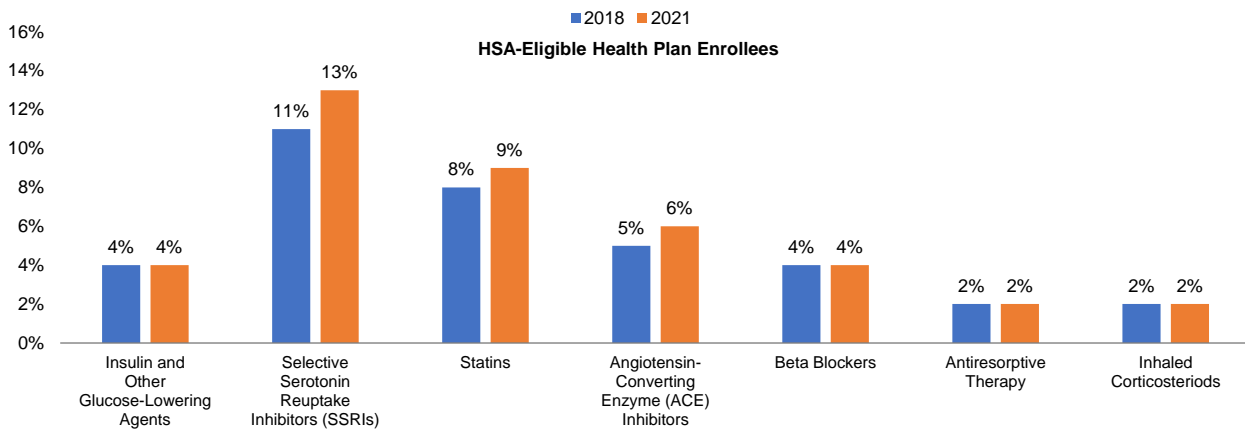
- Overall, we found that between 2018 and 2021, the IRS notice increased the use of 3 of the 7 medical services in HSA-eligible plans compared with non-HSA-eligible plans. Use of low-density lipoprotein (LDL) testing, hemoglobin A1C (HbA1C) testing, and retinopathy screening increased by a larger percentage among enrollees in HSA-eligible plans compared with those in health plans not targeted by this policy change, suggesting that the IRS notice contributed to increased use of these services.
- In addition, use of 3 of 7 prescription medications — selective serotonin reuptake inhibitors (SSRIs), statins, and angiotensin-converting enzyme (ACE) inhibitors — increased by a larger percentage among enrollees in HSA-eligible plans compared with those in health plans not targeted by this policy change, suggesting that the IRS notice also contributed to increased use of these prescription drugs.

Figure 1  
Percentage of Plan Enrollees Using Medical Service, by Type of Health Plan



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

Figure 2  
Percentage of Plan Enrollees With Prescription Drug Fill, by Type of Health Plan



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

Use of health services may not have changed for all targeted services and prescription drugs because many employers substituted copayments and/or coinsurance for deductibles. The 2021 EBRI survey found that the percentage of employers that eliminated cost sharing for the preventive services identified in the IRS notice ranged from a low of 25 percent to a high of 40 percent, depending on the service examined. In other words, 59

percent to 75 percent of employers substituted either copayments or coinsurance for the deductible, depending on the service or drug.

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).<sup>2</sup> 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](http://www.ebri.org).

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