

IRS Guidance (Notice 2019-45)

The opportunity now exists to give patients access to the lifesaving chronic disease treatments they need by adopting the recent IRS change that allows High Deductible Health Plans with Health Savings Accounts the ability to cover services and drugs used to treat chronic diseases before patients meet the plan deductible.

High Deductible Health Plans & Health Savings Accounts

High deductible health plans (HDHPs) are health insurance policies with **higher deductibles than traditional plans.**



Currently, ~47% of commercially insured Americans are enrolled in an HDHP, of these ~21% are enrolled in an HDHP with a Health Savings Account (HSA), this number has nearly tripled since 2010.¹



HSAs are a type of savings account used in conjunction with an HDHP that allows users to **set aside money on a pre-tax basis to pay for qualified medical expenses**, which may lower overall healthcare costs. In **2020**, the HSA contribution limit will be **\$3,550** for an individual and **\$7,100** for a family.²

The minimum deductible for an **individual** in an **HDHP** will be **\$1,400 in 2020** (a \$50 increase from 2019)²



The minimum deductible for a **family** in an **HDHP** will be **\$2,800 in 2020** (a \$100 increase from 2019)²



The Problem

Those in HDHPs with HSAs often must pay 100% of their treatment for chronic diseases due to the previously narrow definition of "preventive", which only included primary prevention services, such as annual physicals, screening services, and immunizations.



Studies have shown that adults with HDHPs are more likely to forgo or delay care due to cost, and low-income adults with HDHPs are less confident that they can afford care compared to those with traditional plans.^{3,4}



According to a recent study reported in JAMA, those who choose **HDHPs and have chronic conditions should be prepared to spend hundreds or even thousands of dollars of their own money on their care**, beyond what they spend on plan premium costs. This could represent over 10% of a chronically ill person's annual income.⁵

The Solution

The Treasury Department has issued guidance (Notice 2019-45) recognizing **14 new drugs and services** that treat chronic conditions as "**preventive care**" that can now be covered by HDHPs with HSAs **prior to the patient meeting their plan deductible.**⁶

Included in the list are several treatments and services for those diagnosed with diabetes and other comorbidities, including: insulin and other glucose lowering agents, retinopathy screening, glucometer, hemoglobin A1c testing, angiotensin converting enzyme (ACE) inhibitors, and statins.⁶ The guidance, which is effective immediately, is a **victory for people with Diabetes who are enrolled in an HDHP-HSA** and offers them an opportunity to gain first-dollar coverage for the identified treatments and services.

Payers and Employers need to take action and adopt the change so patients can benefit.

Case Study

Cole is living with diabetes and has an HDHP with an HSA



Cole is enrolled in an HDHP with a deductible of \$2,447. Cole has been paying 100% of the costs of his drugs and healthcare services to treat diabetes since he has not yet met his deductible. This includes all doctor visits and medicines, including insulin.



Under the previous law, Cole pays 100% for his medicine or services when in the deductible phase, unless it's deemed preventive. This includes paying list price for medicine until he meets his deductible.



This can lead to Cole forgoing preventive or maintenance care for his serious, chronic disease; potentially resulting in poor health outcomes as his condition worsens.



Once the change is made to include insulin on his plan's preventive drug list, Cole will have first dollar coverage and will pay a \$25 copay for his insulin.

Did You Know?

HDHP annual out-of-pocket expenses can be as high as **\$6,900** per year for an **individual** and as high as **\$13,800** per year for a **family**?² (not including premium costs)

Note: Illustrative example only; individual plan design dictates deductible and copay amounts.

Potential Costs & Outcomes of Change

A recent study by Milliman estimated that if patient cost sharing for insulin is reduced to \$0 in HDHPs in the employer-sponsored group insurance (commercial) market, insulin users would save an estimated \$1,162 per year on insulin out-of-pocket costs and average premiums for all members would only minimally increase an estimated \$0.43/per member per month (PMPM).⁷

Adoption of IRS Guidance (Notice 2019-45) gives **HDHP-HSAs the ability to cover services and drugs used to treat chronic diseases before the plan deductible is met.** This also promotes value based insurance design, which encourages patients to consume high-value clinical services that have the greatest potential to positively impact their health.⁸

This may help patients with chronic diseases be able to⁹:



Increase medication adherence



Decrease emergency room visits



Improve outcomes



Improve quality of care



Reduce total cost of care



Reduce complications



Financially plan for medical expenses

Call to Action

Novo Nordisk supports IRS Guidance (Notice 2019-45) and encourages payers and employers to make this important change

¹ Cohen, R., Martinez, M., Zammiti, E.; Health Insurance Coverage: Early Release of Estimates From the National Health Interview Survey, January-March 2018. <https://www.cdc.gov/nchs/data/nhis/earlyrelease/Insur201808.pdf>. Accessed September 2019.

² Internal Revenue Service. https://www.irs.gov/irb/2019-22_IRB#REV-PROC-2019-25. Accessed September 2019.

³ Beutel, S., Collins, S., Doty, M., Rasmussen, P.; The Problem of Underinsurance and How Rising Deductibles Will Make It Worse. <http://www.commonwealthfund.org/publications/issue-briefs/2015/may/problem-of-underinsurance>. Accessed September 2019.

⁴ Galbraith A., Gay C., Lieu T., Rosenthal M., Ross-Degnan D., Soumerai S.; Delayed and Forgone Care for Families with Chronic Conditions in High-Deductible Health Plans. *Journal of General Internal Medicine*. <https://rd.springer.com/article/10.1007/s11606-011-1970-8>. Accessed October 2019.

⁵ Segel, JE, Kullgren JT; Health Insurance Deductibles and Their Associations With Out-of-Pocket Spending and Affordability Barriers Among US Adults With Chronic Conditions. *JAMA Intern Med*. 2017. <https://jamanetwork.com/journals/jamainternalmedicine/fullarticle/2596005>. Accessed October 2019.

⁶ Internal Revenue Service. <https://www.irs.gov/newsroom/irs-expands-list-of-preventive-care-for-hsa-participants-to-include-certain-care-for-chronic-conditions>. Accessed September 2019.

⁷ Berman, M., Lain, S., Metz, L.; Mitigating out-of-pocket costs for insulin users. <http://assets.milliman.com/ektron/mitigating-costs-insulin-users.pdf>. Accessed September 2019.

⁸ Center for VBID University of Michigan. U.S. Department of the Treasury Announces Additional Preventive Care Benefits to be Provided by High-Deductible Health Plans. <http://vbidcenter.org/wp-content/uploads/2019/07/HSA-HDHP-1-pager-7.17.19-1.pdf>. Accessed October 2019.

⁹ Center for VBID University of Michigan. Financial Impact of HSA-HDHP Reform to Improve Access to Chronic Disease Management Medications. <http://vbidhealth.com/docs/HSA-HDHP-Reform-Brief.pdf>. Accessed October 2019.