EDITORIAL

Expanding the "Safe Harbor" in High-Deductible Health Plans: Better Coverage and Lower Healthcare Costs

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As attempts to fundamentally transform the individual health insurance market have stalled, policy makers and stakeholders have turned their focus to incremental improvements that they hope will address the weaknesses of the current system while preserving those features that serve us well. A simple, overarching principle should guide these deliberations: help people who were hurt by the Affordable Care Act, also called "Obamacare," but don't hurt those that Obamacare helped. This idea can motivate common-sense reforms that reduce rising insurance premiums and high plan deductibles while maintaining coverage for low-income Americans and those with preexisting conditions. The competing policy goals of reducing the rate of healthcare expenditures (which requires savings) and providing sufficient insurance coverage (which requires spending) necessitate innovative approaches to how Americans consume medical care. Amid the socially desirable, yet financially conflicting goals of adequate coverage and lower premiums, there exists a compromise in the form of health savings account (HSA)-qualified high-deductible health plans (HDHPs) paired with clinically nuanced value-based insurance design principles.[1]

HSAs, the sole account in which deposits are made with pretax dollars, savings grow tax-free, and eligible withdrawals incur no tax liability (ie, "triple tax advantage"), can help achieve these goals by better engaging consumers in their healthcare decisions. To open an HSA, the account holder must be enrolled in an IRS-qualified HDHP. For 2017, the minimum deductible is $1300 for an individual and $2750 for a family.

The appeal of a tax-advantaged savings account coupled with low annual HDHP premiums has propelled HSA-HDHPs into becoming the fastest growing health plan type in the United States. As employers search for ways to rein in rising healthcare costs, the percentage of workers with employer-sponsored insurance enrolled in an HDHP requiring a deductible of at least $1000 for single coverage or $2000 for family coverage increased 7-fold from 4% in 2016 to 28% in 2017.[2] Thirteen percent of firms now offer an HDHP as their only plan option.[2]

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The findings by Reid and colleagues in this month's issue of *The American Journal of Managed Care*® confirm that as HDHP enrollees are asked to pay more to receive medical care, they buy less of both essential and nonessential clinical services.[3] Consistent with the findings of prior studies, switching from a traditional insurance plan to an HDHP was associated with reduced overall outpatient spending.[4] However, switching to an HDHP did not preferentially reduce spending on healthcare services that offer unclear or no clinical benefit.

According to a 2017 Kaiser Family Foundation survey, 46% of HDHP enrollees report difficulty affording deductibles, approximately one-third with chronic conditions report delaying or avoiding care due to the high cost, and nearly half of HDHP enrollees with a family member with a chronic condition report problems paying medical bills or other bills because of healthcare costs. Consequently, it is of no surprise that racial/ethnic minorities, those with lower incomes, and those in fair or poor health are more negatively affected by increasing out-of-pocket costs.[5]

The findings of Reid et al and others suggest that the "blunt" deductible in existing HDHPs dissuades patients from spending on all services, rather than having the intended effect of reducing low-value care. Thus, an HDHP with more targeted consumer incentives is likely necessary to encourage Americans to take advantage of the financial benefits of an HSA, mitigate concerns over cost-related underuse of high-value clinical services, and reduce wasteful spending.

The IRS determines the coverage limits of HSA-HDHPs due to tax implications. Under current IRS guidance, select preventive care services (eg, screenings and vaccinations) must be fully covered prior to meeting the plan deductible, referred to as the "safe harbor." However, services used to treat any "existing illness, injury, or condition" are currently excluded from the safe harbor. Thus, the portion of the 133 million Americans with chronic conditions such as diabetes, HIV, or depression enrolled in an HSA-HDHP must pay the entire cost of their clinician visits, tests, and prescriptions until they reach their plan's deductible. This lack of predeductible coverage for services and medications essential for managing chronic conditions markedly deters those who may be interested in benefiting from opening an HSA.

Broad multistakeholder and bipartisan political support exists to amend IRS code to expand the safe harbor, permitting HSA-HDHPs the option to cover certain high-value clinical services and medications used to treat chronic medical conditions prior to meeting the plan deductible. This new generation of HDHPs is referred to as "high-value health plans" (HVHPs).[1] HVHPs would better meet the clinical and financial needs of millions of Americans; premiums would be lower than most existing commercial health plans and coverage would be more generous than existing HSA-HDHPs.

HVHPs would allow Americans with chronic conditions to better afford the care they need while maintaining the original intent and spirit of consumer-directed health plans. Expansion of the IRS safe harbor enjoys bipartisan, bicameral support from Congressional leaders. In 2016, Representatives Diane Black (R-TN) and Earl Blumenauer (D-OR) introduced the Access to Better Care Act. Additionally, last year Senators Thomas R. Carper (D-DE) and John Thune (R-SD) sent a letter to the secretary of the Treasury urging the modernization of the preventive care safe harbor to ensure that patients "have full access to adequate preventive care and chronic care management services." More recently, a draft executive order included a provision directing the IRS commissioner to expand the preventive care safe harbor under Section 223(c)(2)(C) of the Internal Revenue Code to include services and benefits, including medications, related to the management of chronic diseases.

Rising healthcare spending has created serious fiscal challenges and demonstrated the need for novel benefit designs that better engage consumers in their healthcare decisions. HSA-HDHPs that cover essential chronic disease services have the potential to mitigate cost-related nonadherence, enhance patient-centered outcomes, allow for premiums lower than most preferred provider organizations and health maintenance organizations, and substantially reduce aggregate US healthcare expenditures. The voluntary expansion of the IRS safe harbor would enhance the clinical effectiveness of HDHPs and increase the attractiveness of HSAs. Amending this regulation to expand the safe harbor would expand consumer health plan choice, providing millions of Americans a plan option that better meets their clinical and financial needs. ■

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