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A Survey of Preventive Benefits in Health Savings Account (HSA) Plans, July 2007

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Most HSA Plans Provide First-Dollar Coverage for Recommended Preventive Care

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SUMMARY

In July 2007, America's Health Insurance Plans (AHIP) surveyed its member health insurance plans that offer high-deductible health plan (HDHP) policies that are compatible with health savings accounts (HSAs).¹ The study shows that most HSA/HDHP policies being purchased in the market today provide coverage for recommended preventive services, as allowed under Internal Revenue Service (IRS) rules, without requiring enrollees to first meet their plan deductibles ("first-dollar" coverage).

Overall, 84 percent of the HSA/HDHP policies purchased in the group and individual markets provide first-dollar coverage for preventive care. Virtually all policies purchased in the large-group market (99 percent) and small-group market (96 percent) provide this coverage. Fifty-nine (59) percent of policies purchased in the individual market cover preventive care outside the plan deductible. Because premiums for individually purchased health insurance are not tax deductible (except to the extent they exceed 7.5 percent of a taxpayer's adjusted gross income), many individual market purchasers have an incentive to pay for preventive benefits through their HSA accounts (which are fully tax deductible) rather than through their HDHPs. Full deductibility for all health insurance premiums — which would put the tax treatment of individual coverage on par with that for employment-based coverage — would likely raise the percentage of individually purchased policies with first-dollar coverage for preventive care.

Among HSA/HDHP policies in the survey offering first-dollar coverage for preventive care outside of plan deductibles, 100 percent cover adult and child immunizations; well-baby and well-child care; mammography; Pap tests; and annual physical exams. Nearly 90 percent of policies purchased provide first-dollar coverage for prostate cancer screenings and more than 80 percent offered this coverage for colonoscopies.

¹ According to Internal Revenue Code requirements, in 2007, the annual deductible for a single-coverage HDHP must be at least \$1,100 and the annual out-of-pocket expenditures can not exceed \$5,500. The minimum annual deductible for family-coverage HDHPs is \$2,200, and the maximum out-of-pocket limit for such policies is \$11,000. The minimum annual deductible limits do not apply to coverage for "preventive benefits."

Other highlights of the 2007 survey:

Covered Screenings: The types of preventive screenings covered by HSA/HDHP policies include newborn screenings such as PKU tests; adult blood pressure and cholesterol tests; children's vision tests; height, weight, and body mass index measurements; bone mineral density testing for women; colorectal cancer screening; prostate cancer screening for men aged 50 or older; and adult screening for depression and substance abuse.

Maximum Dollar Limits: About half of all HSA/HDHP policies that cover preventive benefits do not place any annual dollar limits on those services. Slightly under a quarter of the policies have annual dollar limits of \$500.

Cost-Sharing Arrangements: Three-quarters of the HSA/HDHP policies that cover preventive benefits do not require any cost-sharing for such care (i.e., copayments or coinsurance).

Prescription Drug Benefits: Very few (less than 6 percent) of the HDHP policies in the survey included coverage for prescription drugs as a preventive benefit on a first-dollar basis. IRS guidance (Notice 2004-50) prohibits drugs from being considered preventive if they "treat an existing illness, injury or condition." According to comments from survey respondents, it is not always apparent whether a drug is being used for "treatment" or for "prevention." Therefore, most HSA/HDHP policies have been cautious about including prescription drugs as a preventive benefit, despite clinical evidence suggesting that greater use of particular drugs in certain circumstances could improve health, reduce claims, and lower premiums. An easy way to remove the regulatory ambiguity and improve preventive care would be to allow health insurance plans offering HSA/HDHP plans to determine which usages of prescription drugs were appropriately preventive. This would help give consumers, especially individuals with chronic conditions, greater incentives to seek preventive care where it is appropriate.

Survey Response:

The survey response includes information from 36 companies, ranging from multi-state to local health insurance plans, with more than 1.7 million HSA/HDHP enrollees as of July 2007. These same companies reported 1.6 million HSA/HDHP enrollees in January 2007, according to AHIP's annual census of HSA/HDHP coverage, which found a nationwide total of 4.5 million enrollees. Thus, the companies responding to the July 2007 survey of preventive benefits represent approximately 35 percent of the total HSA/HDHP enrollment.

The three largest companies that responded to this survey had HSA/HDHP enrollments between 200,000 and 300,000 in July of 2007. Among responding companies, the average number of HSA/HDHP enrollees was approximately 48,300, and the median was 10,200.

Information on preventive care in HSA/HDHP policies in the individual market is based on responses from 25 companies with policies covering 607,735 lives. Small-group data are based on responses from 35 companies covering 491,809 lives. Large-group results are based on information from 33 companies with HSA/HDHP policies covering 351,235 lives, and results from the "jumbo-group" market were based on information from 13 companies with policies covering 291,186 lives. All results in this report are weighted by enrollment.

COVERAGE FOR PREVENTIVE BENEFITS

Overall, 84 percent of the HSA/HDHP policies purchased from companies responding to the survey cover preventive services on a first-dollar basis (see Table 1). Almost all of the policies sold in the small-group market (employers with 50 or fewer employees), large-group market (51 or more employees), and jumbo-group market (employers with 3,000 or more employees) cover preventive services on a first-dollar basis.

In the individual market, over half (59 percent) of the HSA/HDHP policies purchased cover preventive benefits outside of the deductible. Unlike group policies, health insurance coverage sold in the individual market usually is not tax deductible for consumers. As a result, some purchasers have an incentive to use funds from their HSAs (which are fully deductible) to pay for preventive services rather than having those benefits covered by the HSA/HDHP policy.

TABLE 1. PERCENT OF HSA/HDHP POLICIES PURCHASED THAT PROVIDE “FIRST-DOLLAR” COVERAGE FOR PREVENTIVE CARE, BY MARKET, 2007

	Individual	Small Group	Large Group	Jumbo Group	All Markets
Percent of Companies Offering, Weighted by Enrollment	59%	96%	99%	99%	84%
Number of Responding Companies, by Market	25	35	33	13	36
Responding Companies' Enrollment in HSA/HDHPs	607,735	491,809	351,235	291,186	1,741,965
Source: America's Health Insurance Plans.					

TYPES OF PREVENTIVE SERVICES COVERED

In general, companies reported that coverage for preventive benefits is based on recommendations of the U.S. Preventive Services Task Force (USPSTF) for preventive services and screenings² and the Advisory Committee on Immunization Practices (ACIP) for immunizations.³ The coverage must also meet requirements established by the IRS rules for preventive care services and preventive prescription drugs⁴

that are allowable in HSA/HDHP plans. Table 2 shows the recommended immunizations typically covered as preventive benefits, and Table 3 shows recommended preventive care screenings.

² USPSTF recommendations on preventive care: <http://www.ahrq.gov/clinic/pocketgd.pdf>

³ ACIP recommendations for preventive immunizations: <http://www.cdc.gov/vaccines/>

⁴ IRS recommendations on preventive care and preventive prescription drugs: http://www.irs.gov/irb/2004-33_IRB/ar08.html#d0e1823

TABLE 2. IMMUNIZATIONS TYPICALLY RECOMMENDED AS A PREVENTIVE BENEFIT

Common Preventive Benefits	Infant	Child	Adolescent	Adult Male	Adult Female
Diphtheria, Tetanus and acellular Pertussis (DTaP)	✓	✓			
Haemophilus Influenzae Type b (Hib)	✓				
Hepatitis A & B	✓				
Human Papillomavirus (HPV)			✓		
Influenza	✓			✓	✓
Measles, Mumps, Rubella (MMR)		✓	✓	✓	✓
Meningococcal	✓		✓		✓
Pneumococcal	✓		✓	✓	✓
Polio (IPV)	✓	✓			✓
Rotavirus	✓				✓
Tetanus-Diphtheria-Pertussis	✓		✓	✓	✓
Varicella-Zoster (chickenpox and shingles)	✓	✓	✓	✓	✓

Source: America's Health Insurance Plans.

Note: Recommendations for preventive immunizations can be found at <http://www.cdc.gov/vaccines/>.

TABLE 3. SCREENINGS TYPICALLY RECOMMENDED AS A PREVENTIVE BENEFIT

Common Preventive Benefits	Infant	Child	Adolescent	Adult Male	Adult Female
High Blood Pressure Screening				✓	✓
Obesity Screening (BMI)	✓	✓	✓	✓	✓
Vision		✓			
Newborn Screening (PKU, sickle cell, hemoglobinopathies, hypothyroidism, head circumference)	✓				
Cholesterol Screening				✓	✓
Colorectal Cancer Screening (stool blood test (FOBT), flexible sigmoidoscopy, double contrast barium enema, colonoscopy)				✓	✓
Prostate Cancer Screening (prostate-specific antigen (PSA) and digital rectal exam (DRE))				✓	
Bone Mineral Density (BMD) Test					✓
Screening for Depression and Alcohol Misuse, Behavioral Counseling Interventions				✓	✓

Source: America's Health Insurance Plans.

Note: Recommendations for preventive care can be found at <http://www.ahrq.gov/clinic/pocketgd.pdf>.

TABLE 4. TYPES OF PREVENTIVE BENEFITS COVERED ON A “FIRST-DOLLAR” BASIS, PERCENT OF HSA/HDHPS BY MARKET, 2007

Common Preventive Benefits	Individual	Small Group	Large Group	Jumbo Group	All Markets
Infant/Child Well Care	100%	100%	100%	100%	100%
Colonoscopies	89%	81%	75%	81%	83%
Immunizations	100%	100%	100%	100%	100%
Mammograms	100%	100%	100%	100%	100%
Pap Smears	100%	100%	100%	100%	100%
Physicals/Annual Checkups	100%	100%	100%	100%	100%
Prostate-specific Antigen (PSA)	100%	100%	88%	92%	89%
Smoking Cessation	96%	85%	26%	35%	26%

Source: America’s Health Insurance Plans.

SPECIFIC BENEFITS AND COST SHARING

Among responding companies, all of the HSA/HDHP policies offering first-dollar coverage for preventive care cover adult and child immunizations; well-baby and well-child care; mammography; Pap tests; and annual physical exams and screenings outside of the HDHP deductibles. Nearly 90 percent of policies purchased provide first-dollar coverage for prostate cancer screenings (PSAs), and 83 percent provide this coverage for colonoscopies (see Table 4).

About half (52 percent) of the HSA/HDHP policies sold by responding companies do not have annual dollar limits for preventive services offered on a first-dollar basis in their HSA/HDHP plans (see Table 5). Of the companies that impose annual limits on preventive benefits, a maximum of \$500 per year is the most common.

Approximately three-quarters (76 percent) of HSA/HDHP policies have no coinsurance or copayment for covered preventive services (see Table 6).

TABLE 5. ANNUAL DOLLAR MAXIMUMS FOR PREVENTIVE BENEFITS COVERED ON A “FIRST-DOLLAR” BASIS IN HSA/HDHPS, BY MARKET, 2007

Maximums	Individual	Small Group	Large Group	Jumbo Group	All Markets
None	39%	59%	46%	71%	52%
Up to \$250	4%	16%	19%	22%	13%
\$300	10%	4%	8%	0%	6%
\$500	36%	18%	26%	7%	24%
\$750 and Up	11%	3%	1%	0%	5%
Total	100%	100%	100%	100%	100%

Source: America’s Health Insurance Plans.

TABLE 6. COST-SHARING FOR PREVENTIVE BENEFITS IN HSA/HDHP PLANS, BY MARKET, 2007

	Individual	Small Group	Large Group	Jumbo Group	All Markets
No Cost-Sharing	75%	73%	76%	83%	76%
Coinsurance or Copayment	25%	27%	24%	17%	24%
Total	100%	100%	100%	100%	100%

Source: America’s Health Insurance Plans.

TABLE 7. PERCENT OF ENROLLEES IN HSA/HDHP PLANS WITH DESIGNATED PRESCRIPTION DRUG COVERAGE AS A PREVENTIVE BENEFIT ON A “FIRST-DOLLAR” BASIS, 2007

Individual	1%
Small Group	3%
Large Group	6%
Jumbo Group	27%
All Markets	7%

Source: America’s Health Insurance Plans.

PRESCRIPTION DRUGS

According to the survey, most HSA/HDHP plans do not currently cover prescription drugs as a preventive benefit on a first-dollar basis. According to the IRS, first-dollar coverage under an HSA/HDHP policy may not include “drugs or medications used to treat an existing illness, injury or condition.”⁵ This rule limits the potential for many drugs that may prevent the recurrence of disease or control complications of existing illnesses to be covered as a preventive benefit.

However, several responding companies indicated that they have designated some drugs as preventive benefits under the current IRS rule, and others indicated interest in designating additional prescription drugs for first-dollar coverage as a preventive benefit if the rules allowed more flexibility.

Responding companies indicated that prescription drugs covered as preventive benefits under the current rule include medications for treatment or prevention of asthma, diabetes, coronary artery disease, stroke, and seizures.

AHIP believes the HSA tax code provisions should be changed to give employers and health insurance plans the flexibility to cover a broader range of prescription drugs on a first-dollar basis. This change is especially important for patients with chronic conditions that are treated using prescription drugs.

ACKNOWLEDGMENTS

This survey was designed and compiled by Thomas Wilder and Hannah Yoo of AHIP. For further information, please contact Jeff Lemieux, Senior Vice President at AHIP’s Center for Policy and Research, at 202.778.3200 or visit www.ahipresearch.org.

⁵ IRS Notice 2004-50, Question 27.



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