



Out-of-Pocket Spending for HDHP Patients Taking Insulin & Impact of Shifting to First Dollar Coverage

October 2020

Background

- High deductible health plans (HDHPs) can require patients to pay thousands of dollars out of pocket (OOP) before plan benefits cover most services and medicines. Before the deductible is met, patients are commonly required to pay the full list price of many medicines.^a
- Preventive care for HSA-eligible HDHPs, as determined by the Internal Revenue Service (IRS), may be excluded from deductible requirements, generally at the plan's discretion.^b
- The current IRS preventive care list includes certain medications and services for patients with specific chronic conditions if the medicines or services prevent “exacerbation of the chronic condition or the development of a secondary condition.”¹
- On July 17, 2019, the IRS released new guidance that expanded the list of preventive care to cover additional conditions, products, and services, including insulin and other glucose lowering agents for diabetes.^c Public data illustrating the uptake of this new benefit flexibility are unavailable.
- Xcenda analyzed IBM Watson Health's MarketScan Commercial database to understand the impact of expanding 'first dollar coverage' for patients with diabetes taking insulin in HDHPs.

1. IRS. Additional preventive care benefits permitted to be provided by a high deductible health plan under Code § 223. <https://www.irs.gov/pub/irs-drop/n-19-45.pdf>. July 17, 2019.

a. HDHPs can be paired with a Health Savings Account (HSA) where enrollees can save pre-tax dollars to cover their OOP costs. In order to be HSA-eligible, HDHPs must meet certain requirements, as defined under the Internal Revenue Code and regulated by the IRS.

b. Preventive services required to be covered without cost sharing under the Public Health Service Act, as added by the Affordable Care Act, will fall in the preventive care safe harbor.

c. Other newly-covered products captured in the expanded definition of preventive treatments include anti-resorptive therapy for osteoporosis and/or osteopenia, beta-blockers for congestive heart failure and/or coronary artery disease, and statins for heart disease and/or diabetes.

Executive Summary

- On average, patients with diabetes in HDHPs pay approximately 3.5 times more OOP per insulin prescription compared to non-insulin prescriptions.
- OOP costs for patients with diabetes in HDHPs who ultimately meet their deductible are heavily concentrated in the beginning of the year before their deductible is reached.
- Less than one-third of patients with diabetes in HDHPs are required to meet their deductible before their insulin is covered. However, these patients face significantly higher OOP costs than patients with first dollar coverage for insulin.
- If all patients with diabetes in HDHPs had first dollar coverage for insulin, OOP costs for patients would have been 2.4 to 3.7 times lower.
- Exempting insulin from the deductible could save certain patients with diabetes in HDHPs more than \$1,500 annually in OOP costs and allow them to spread their OOP costs more evenly throughout the year.

Patients in HDHPs pay approximately 3.5 times more for insulin prescriptions than for non-insulin prescriptions

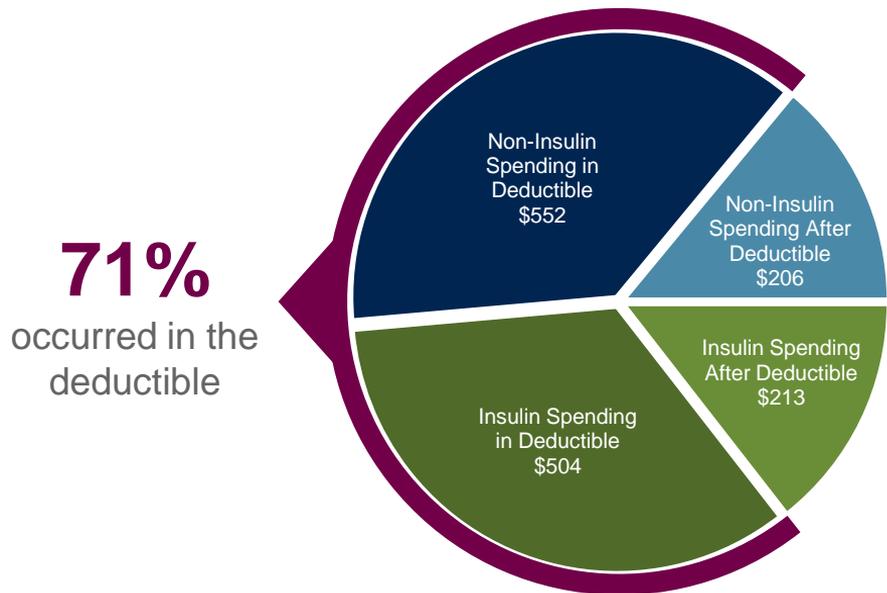
Average Number of Prescriptions and OOP Cost Per Prescription for Patients with Diabetes in HDHPs, 2018

	Prescriptions Per Patient	Average OOP Cost Per Prescription
Insulin	6.5	\$89
Non-Insulin	33.9	\$20
Total	35.5	\$23

For patients with diabetes who meet their deductible, spending is concentrated at the start of the year while in the deductible

The majority of patients with diabetes in HDHPs met their deductible in 2018. **On average, patients took 157 days to meet the deductible.**

OOP Spending for Patients with Diabetes in HDHPs Who Met Their Deductible, 2018



Patients with diabetes in HDHPs, who met their deductible, spent an average of \$1,475 OOP in 2018—\$717 on insulin and \$758 on non-insulin medicines.

Note: For patients with diabetes who had at least 1 insulin claim in the deductible. In 2018, 88% of patients with diabetes in HDHPs met their deductible.

Patients with first dollar insulin coverage paid 3.5 times less for insulin than patients in plans that subjected insulin to the deductible

Less than one-third of patients with diabetes in HDHPs were in plans that subjected insulin to the deductible. However, these patients face significantly higher OOP costs than patients in plans with first dollar coverage for insulin.

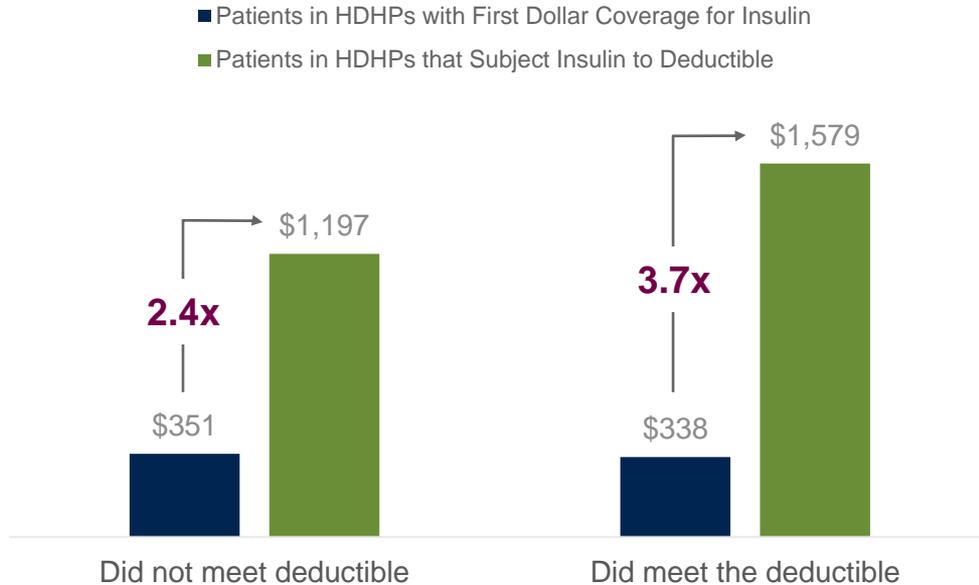
Share of Patients with Diabetes in HDHP and Average OOP Spending on Insulin, 2018

	Overall	Patients in HDHPs with First Dollar Coverage for Insulin	Patients in HDHPs that Subject Insulin to Deductible
Share of patients	100%	70%	30%
Average total OOP spending on insulin per patient	\$699	\$339	\$1,536

Note: For patients with diabetes who had at least 1 insulin claim in the deductible.

Patients with diabetes could pay 2.4 to 3.7 times less for insulin if all HDHPs provided first dollar coverage for insulin

Average OOP Spending on Insulin Among Patients in HDHPs with Diabetes Who Did and Did Not Meet Their Deductible, 2018

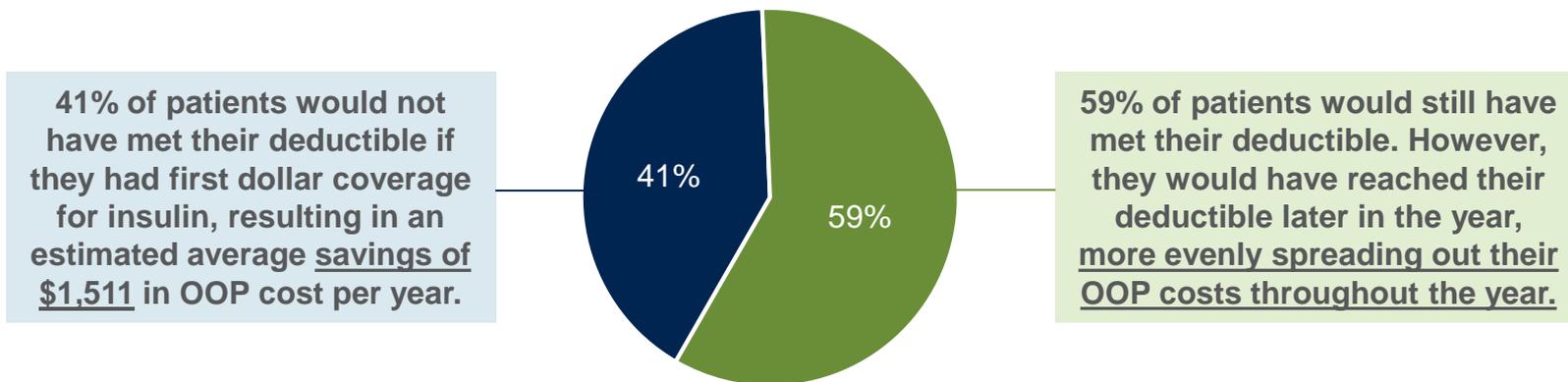


- Among patients who **did not** meet their deductible, those in HDHPs with first dollar coverage for insulin paid 2.4 times less OOP for insulin than patients in HDHPs that subjected insulin to the deductible.
- Among patients who **did** meet their deductible, those in HDHPs with first dollar coverage for insulin paid 3.7 times less OOP for insulin than patients in HDHPs that subjected insulin to the deductible.

Note: For patients with diabetes who had at least 1 insulin claim in the deductible. Plans that have first dollar coverage for insulin often still require some level of cost sharing (i.e., patients do not have \$0 insulin cost sharing in the deductible, they pay a copay or coinsurance amount). That amount is what is captured in the OOP spending for patients with first dollar insulin coverage who did not meet the deductible.

If all HDHPs had first dollar insulin coverage, some patients with diabetes could save \$1,500+ per year and more evenly spread costs

Impact that first dollar coverage could have for patients whose HDHPs subjected insulin to the deductible in 2018:



Note: For patients with diabetes who had at least 1 insulin claim and were in HDHPs that subjected insulin to the deductible in 2018. Of those, 27% ultimately met their deductible in 2018.

Appendix

Study Details

Data Source	IBM Watson Health's MarketScan Commercial database
Study Timeframe	1/1/2018-12/31/2018
Summary of Patient Selection	<ul style="list-style-type: none">▪ At least one medical claim for type 1 or type 2 diabetes in 2017 to confirm diabetes diagnosis in study timeframe▪ Continuously enrolled in an employer-sponsored HDHP with prescription benefits for all of 2018▪ Removed patients with no prescription utilization in 2018 and those who did not have a pharmacy deductible

Determining When Patients Met the Deductible	<ul style="list-style-type: none">▪ To determine when patients met their deductible, prescription claims were put in chronological order and assessed for patterns in cost sharing payments during the year.▪ When two prescription claims occurred on the same day and one had a \$0 deductible amount (ie, script not subject to the deductible), it was assumed the other script with >\$0 deductible paid amount was adjudicated first (ie, script was subject to the deductible right before patient met the deductible).▪ Patients were considered to have met their deductible if they had a non-insulin drug claim with \$0 deductible paid amount that followed a claim in which the patient made a deductible cost share payment.
Identifying Patients Enrolled in HDHPs Where Insulin Was/ Was Not Subject to the Deductible	<ul style="list-style-type: none">▪ Patients with \$0 cost sharing for insulin prescriptions filled during the deductible were categorized as enrolled in HDHPs that did not subject insulin to the deductible.▪ 5% of patients had cost sharing of both \$0 and >\$0 for insulin prescriptions filled in the deductible; these patients were categorized as enrolled in HDHPs that subjected insulin to the deductible.
Potential Cost-Sharing for Insulin in the Deductible Phase	<ul style="list-style-type: none">▪ A few patients were enrolled in HDHPs that did not subject insulin to the deductible but required patients to pay a copay or coinsurance for insulin while in the deductible phase. These costs are reflected as patient OOP costs for insulin in the deductible.
Assessing Impact of First Dollar Coverage for Insulin	<ul style="list-style-type: none">▪ To evaluate the impact of first dollar coverage for patients whose insulin prescriptions are currently subject to a deductible, cost sharing for insulin in the deductible was set to \$0. The amount paid for non-insulin drugs were then assessed to determine whether the patient would still have met their deductible.



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This work was funded by the Pharmaceutical
Research and Manufacturers of America; editorial
control was maintained by Xcenda.