

TRENDS IN HEALTH CARE



WHAT IS FIRST DOLLAR COVERAGE?

First dollar coverage is when a health insurance plan exempts health care services for chronic conditions from the deductible. This means the plan pays expenses beginning with the very **first dollar** charged for health care expenses and out-of-pocket (OOP) costs are eliminated or limited only to the copayment or coinsurance.

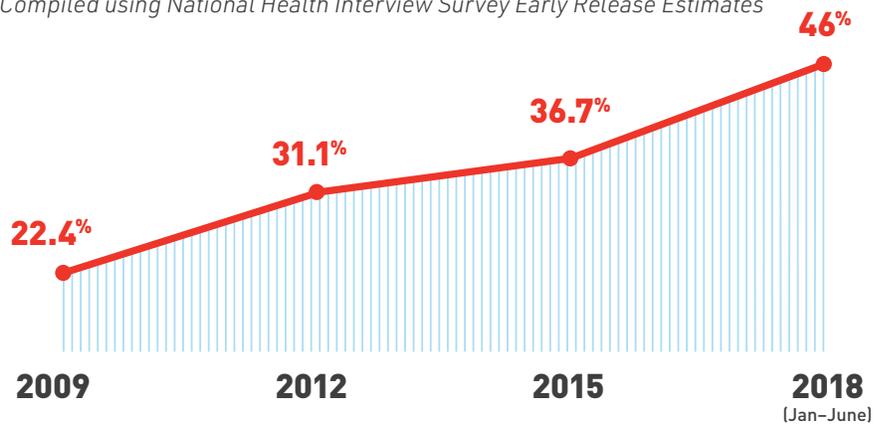
First dollar coverage for preventive services and chronic care, including medicines, is a way for insurance plans to help people better manage chronic conditions such as arthritis, cancer, and diabetes. When OOP costs are lower and expenses are more consistent throughout the year, adherence rates go up resulting in healthier patient outcomes.¹ Approximately 60 percent of U.S. patients have at least one chronic condition.²

INCREASING ENROLLMENT IN HIGH-DEDUCTIBLE HEALTH CARE PLANS (HDHPS)

With more Americans having access only to High-Deductible Health Care Plans, OOP challenges are compounded for patients when those plans lack preventive and chronic care.³

Growth in HDHPs Commercial Insurance HDHP Trends and Features

Compiled using National Health Interview Survey Early Release Estimates



● Percentage of Americans under age 65 with commercial health insurance enrolled in a high-deductible health plan

RISING OUT-OF-POCKET EXPENSES

HDHPs may lower premiums but plans without first dollar coverage require patients to pay most of their health care expenses, including prescription cost, until they meet their deductible. Even then, they must cover the copayment each time a prescription is filled.⁴

Relative Proportions of 2018 Medical Costs

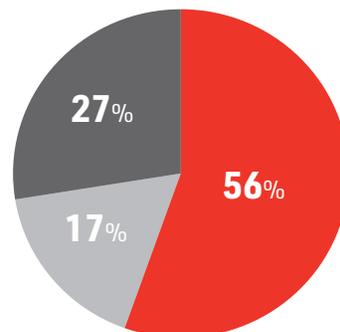
For a typical family of four

\$7,674

Employee Contribution

\$4,704

Employee Out-of-Pocket



\$15,788

Employer Contribution

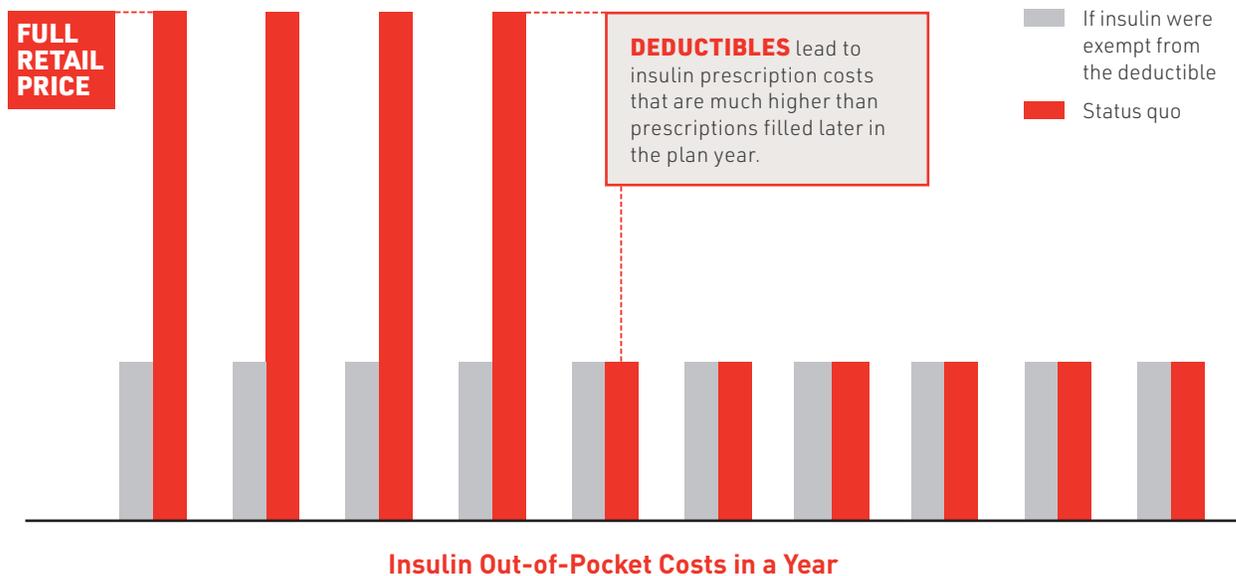
FUTURE OF FIRST DOLLAR COVERAGE

Historically, many employer plans did not offer first dollar coverage for chronic medicines due to a lack of clarity from the IRS. However, in July 2019, the IRS in conjunction with Health and Human Services (HHS) issued guidance to clarify the scope of preventive services for account-eligible HDHPs with Health Savings Plans (HSA) to include several chronic disease services and medicines. That clarification should encourage more employers to expand the offering of first dollar coverage.⁵

Lilly strongly supports the inclusion of first dollar coverage, including for medicines used to treat chronic conditions, in health care plans as one way to improve patient access and affordability for employees. In our own employee health plan, Lilly exempts preventive and chronic disease medications, such as insulin, from the deductible.

THE IMPACT OF FIRST DOLLAR COVERAGE ON INSULIN

A Lilly-sponsored analysis by Milliman shows that exempting insulin from the deductible would significantly lower OOP costs and only add 43 cents per member per month (\$5.15 Per Member Per Year) to the employee premium cost.⁶ In addition, if employees did not have to pay full retail price for their insulin during the deductible phase, it would provide a more consistent cost throughout the year.



References

- ¹ Han, et al. *The impact of medication adherence on health outcomes for chronic metabolic diseases: a retrospective cohort study*. 2014. Available at <https://www.ncbi.nlm.nih.gov/pubmed/25088545>. Last accessed August 26, 2019
- ² Buttorff, et al. *Multiple Chronic Conditions in the United States*. Rand Corporation. 2017. Figure 1.1 Percentage of U.S. Adults with Chronic Conditions, by Number and Chronic Conditions (2014). Available at <https://www.rand.org/pubs/tools/TL221.html>. Last accessed August 1, 2019.
- ³ The Henry J. Kaiser Family Foundation. *2018 Employer Health Benefits Survey*. Summary of Findings. Available at <http://files.kff.org/attachment/Summary-of-Findings-Employer-Health-Benefits-2018>. Last accessed February 27, 2019.
- ⁴ Girod, et al. *2018 Milliman Medical Index - Milliman Research Report*. Available at <http://www.milliman.com/uploadedFiles/insight/Periodicals/mmi/2018-milliman-medical-index.pdf>. Last accessed August 13, 2019.
- ⁵ U.S. Internal Revenue Service. Notice 2019-45. 2019. *Additional Preventive Care Benefits Permitted to be Provided by a High Deductible Health Plan Under \$223*. Accessible at <https://www.irs.gov/pub/irs-drop/n-19-45.pdf>. Last accessed August 2, 2019.
- ⁶ Girod, et al. *2018 Milliman Medical Index - Milliman Research Report*. Available at <http://www.milliman.com/uploadedFiles/insight/Periodicals/mmi/2018-milliman-medical-index.pdf>. Last accessed August 13, 2019.