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Benefit Insights

What's Considered Preventive When It Comes to Prescription Drugs?

In order to participate in a health savings account (HSA), an individual must be covered by a high deductible health plan (HDHP)—and no other plan—with the HDHP deductible being a minimum of $1,100 individual/$2,200 family (2007 figures). Certain types of coverage, however, are not subject to the deductible and may be paid on a first-dollar basis, if the plan so allows. First-dollar coverage can include preventive care expenses.

As noted above, HSA-eligible individuals cannot be covered under any plan that is not a qualifying HDHP. This includes a standalone prescription drug plan or rider that does not meet the definition of a high deductible plan. However, for prescription drugs that are taken for "preventive" measures, coverage may be provided on a first-dollar basis or, depending on the plan design, with an applicable copay. The point is that, for care that is considered preventive—including prescription drugs that fall into this category—the plan may pay benefits before the required deductible is met.

Internal Revenue Service (IRS) guidance (IRS Notice 2004-23) has indicated the types of care that it considers "preventive." Its non-exclusive list of safe-harbor preventive care services includes—

- Periodic health evaluations, including tests and diagnostic procedures ordered in conjunction with a routine exam, such as an annual physical.
- Routine prenatal and well-child care.
- Child and adult immunizations.
- Tobacco-cessation programs.
- Obesity weight-loss programs.
- Screening services, such as for cancer, heart and vascular diseases, infectious diseases, mental health conditions and substance abuse, metabolic/nutritional/endocrine conditions, musculoskeletal disorders, obstetric/gynecological conditions, pediatric conditions, and vision/hearing disorders.

The Notice specifies that preventive care does not generally include any service or benefit intended to treat an existing illness, injury or condition.

Not included in this safe-harbor list is any mention of prescription drugs. However, as noted earlier, this list is not

all-inclusive, and certainly some types of prescription drugs are preventive in nature. The IRS acknowledges this when, in Notice 2004-23, it specifically requests comments on the extent to which drug treatments, either solely by prescription or as part of an overall treatment regimen, should be treated

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We value you, your employees, and your on-going support and business. We will continue to provide you with the very best products and services available.

Thank you again for your business, and we wish you a healthy and prosperous 2007. Be on the lookout for our next newsletter in April.

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U.S. Faces Challenges in Improving Health

In measuring the health of the nation overall, the United States continues to trail other countries in measures such as infant mortality (6.6 deaths per 1,000 births, a statistic that is worse than or equal to 35 other nations) and life expectancy (71 years for a healthy girl born today, compared to 78 years in Japan), according to the America's Health Rankings annual report from the United Health Foundation.

As a whole, Americans are 0.3% healthier than they were a year ago, a gain lower than the average annual 1.5% improvement recorded throughout the 1990s but on par with the rate of improvement since then. A reduction in the incidence of several negative health determinants—including tobacco use, infectious diseases, motor vehicle deaths, violent crime and cardiovascular disease—accounts for most of the 18.7% improvement in the health of the nation since the survey began in 1990. This steady rate of improvement dropped beginning in 2000, the survey reports. A key reason for this drop is the growing rate of obesity in America, reported as affecting 11.6% of the U.S. population in 1990 and up to nearly 25% of the population today. Also, the percentage of individuals without health insurance has increased from 13.4% of the population in 1990 to 15.9% of the population today, a factor that strongly impacts both disease prevention and delivery of medical care.

In addition to reporting health statistics on a national basis, the report also assesses state-by-state information. It ranks Minnesota as the healthiest state (a ranking the state has held for 11 of the 17 years since the survey's inception in 1990), followed by Vermont, New Hampshire, Hawaii, Connecticut and Utah. Factors leading to Minnesota's top ranking include a low rate of cardiovascular and premature deaths and a low percentage of uninsured residents. Louisiana is ranked as the least healthy state, preceded by Mississippi, South Carolina, Tennessee and Arkansas. Louisiana has been in the bottom two states since the survey's inception, and this year ranked in the bottom five states on six of the survey's 18 measures, including obesity, rate of occupational fatalities, number of children living in poverty, infant mortality, cancer deaths and premature deaths.

The report includes a state-level analysis of the quality and effectiveness of medical care, which shows that both health care quality and cost vary widely among the states. Among the conclusions on this topic is that the volume of health care services rendered does not necessarily lead to better-quality care. According to the report, in some states greater use of health care services was associated with poorer quality care and lower rates of satisfaction with the health care received.

The complete report (along with reports from previous years) can be viewed through links at www.americashealthrankings.org.

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as preventive care, and on the appropriate standards for differentiating between drug treatments that would be considered preventive and those that would not be considered preventive.

In a bit of guidance, the "All About HSAs" document on the Health Savings Account section of the IRS Web site (www.treas.gov/offices/public-affairs/hsa/) states that certain drugs and medications can be considered preventive care, such as drugs taken by a person who has developed risk factors for a disease that has not yet manifested itself, or to prevent reoccurrence of a disease. The example provided is cholesterol-lowering medication for individuals with high cholesterol.

In keeping with this thinking, one could reasonably anticipate that anti-hypertensives, diuretics, smoking-cessation medications, and bone-strengthening medications—among others—could be considered preventive in nature. Of course, without more detailed IRS guidance—either a list of medications, risk factors or conditions, or criteria for determining such lists—there is no definitive answer. Also, arguably, a medication that is preventive for one individual might be considered therapeutic or treatment-based for another, depending on each individual's condition, health history, etc.

Pending further guidance, whether to consider a particular medication to be preventive—and thus eligible for first-dollar coverage—will be a judgment for employers sponsoring an HSA/HDHP to make. You will need to take into account whether you wish to take a conservative or more aggressive approach, along with the extent to which—in keeping with your overall benefits philosophy—you would want the plan to pay benefits at all before an employee satisfies the deductible. Though current IRS guidance is not definitive, your health plan or prescription drug vendor, and benefits broker/consultant, all should be able to provide insight on crafting a policy that is right for your company.

Reach Out to Young Workers on the Importance of Health Insurance

When young, one tends to feel invulnerable. Reflecting this, young people often take the kinds of risks that, when looked back upon after a few years of added experience, often elicit the remark, "I was lucky." A recent survey conducted on behalf of Aetna and the Financial Planning Association shows that this risk-taking behavior shows up in young people's views toward health insurance, with many saying they would choose to pay their monthly cell phone bill rather than pay a health insurance premium.

As a group, young adults are among those least likely to have health insurance. According to research funded by the Agency for Healthcare Research and Quality, 36% of individuals age 19 to 24 were uninsured for all or part of 2003. An Issue Brief from the Commonwealth Fund states that young adults age 19 to 29 are among the largest and fastest growing population segments without health insurance, with 13.7 million uninsured in 2004, an increase of 2.5 million over 2000's levels.

It's easy to see how people in this age group become uninsured. Most young people have coverage under their parents' health insurance policies (or a state children's health insurance fund) until they reach age 19; college students may keep this coverage until they graduate. After that time, coverage ends, and many young folks are not replacing their former dependent coverage with coverage of their own. The Commonwealth Fund Issue Brief states that nearly two out of five college graduates, and one-half of high school graduates who do not go on to college, will be uninsured for part of their first year after graduation.

While it's understandable how this loss of coverage occurs, what's disturbing about the survey cited at the beginning of this article is the lack of priority that many young people have given to having health insurance coverage. According to the survey, young workers have set their financial priorities in areas other than health insurance coverage. Seventy percent would rather contribute a portion of their monthly earnings to paying down credit card debt, building their savings accounts, or contributing to their 401(k) plans, than paying for health insurance coverage. Forty-four percent would rather pay their cell phone bills. And only 8% ranked health benefits as a top item they look for when considering a job.

Employers that offer health benefits programs can reach out to this group in a number of ways to emphasize the importance of joining the company-sponsored health plan. Since most young people will have seen for themselves few—if any—medical bills, they may have no real sense of the cost of medical treatment, whether it be for a severe condition or catastrophic event, or even routine care. Sharing cost information with them through a variety of media (company newsletters, e-mails, paycheck stuffers, posters/table-toppers in the lunchroom) can make the point simply and effectively. Once they are more in tune with what a health care event could cost them out-of-pocket, young workers may be more likely to consider the options available to them. Lower-cost health plan options—including high deductible plans coupled with a health savings account—could appeal to young workers who might appreciate the expense of a catastrophic event, but are otherwise healthy.

Moving young workers into appropriate health plan coverage might result in some expressions of "I was lucky," when these individuals later look back on their uninsured days.

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carrying 30 pounds of excess weight can learn the potential impact of these pounds on his or her blood pressure and cholesterol readings, musculoskeletal functions, and blood sugar levels. Though most people realize, on some objective level, the risks of being overweight, a health risk assessment personalizes this information and can provide the impetus and motivation one needs to participate in and stick with a weight loss regimen that includes healthy eating, increased physical activity, and continued weight monitoring.

Similarly, health risk assessments for individuals with chronic conditions can motivate participation in disease management programs.

To encourage employees to make use of health risk assessments, some employers offer incentives, such as a cash contribution to a health savings account or health reimbursement account to employees who take an assessment, and an additional amount if they follow up the assessment with completion of an appropriate wellness program. You can be creative with incentives and use those that you think will be most likely to encourage employees to participate in a health risk assessment, and that balance your desired investment in a wellness program with the expected results.

Health Risk Assessments Are First Step to Cost-Saving Wellness Initiatives

Common sense tells us that, generally, individuals in better health are likely to have lower overall health care costs. Yet, employers sometimes balk at implementing programs aimed at employee wellness, unsure whether the cost of such programs will pay off in a reduction in employees' health care expenditures. Now, a study demonstrates that wellness programs that involve use of health risk assessments can reduce individual health care costs by hundreds of dollars a year.

The study from Thomson Medstat, an information solutions provider, estimated the health care cost savings associated with wellness programs offered to a group of nearly 60,000 retirees and dependents. According to the study, the key to the success of the wellness programs in reducing costs was the health risk assessment, a tool that measures an individual's specific health factors, along with the individual's overall health status. The study found that when a health risk assessment was used as a guide for determining appropriate wellness services, health care cost savings were substantially more than they were when the initial assessment was not completed.

Specifically, individuals who took a health risk assessment and also participated in one other wellness program component—such as telephone-based lifestyle management counseling or onsite medical screenings—saw their annual health care costs drop by an average of $442. Those who took a health risk assessment and also participated in two additional program components saw an average reduction of $569. But those who simply participated in wellness program services without first taking a health risk assessment saw only a small drop in their health care costs—on average, $30 annually. According to the study, this suggests that information gleaned from health risk assessments can focus individuals on which wellness initiatives are most appropriate and most beneficial for them.

Health risk assessments can actively engage employees in understanding the connection between their lifestyle choices and behaviors and the possible health-related consequences. For example, through a health risk assessment, an individual

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