

What is a High-Deductible Health Plan and Who Offers Them?

- » **High-deductible health plans (HDHPs)** have a higher deductible than traditional health insurance plans. A **deductible** is the upfront amount that someone pays out-of-pocket (OOP) before his/her health insurance kicks in. These OOP costs include expenses for prescription medications.
- » In HDHPs, the **premium**—the monthly OOP expense that someone pays for the insurance policy—tends to be lower than traditional plans. For some people, the higher deductibles in HDHPs result in higher OOP costs compared to traditional health insurance plans.
- » HDHPs are offered by employers and are also available through the Affordable Care Act's marketplace exchanges.

HDHP Minimum Deductibles and OOP Maximums

- » According to the Internal Revenue Service (IRS), HDHP minimum deductibles and OOP maximums can **change** each year.
- » In 2019, IRS-defined HDHPs will have (1) deductibles of at least \$1,350 for an individual and \$2,700 for a family and (2) OOP maximums of \$6,750 for an individual and \$13,500 for a family.

HSAs and HRAs

- » People with HDHPs that meet the IRS criteria can set up a **health savings account (HSA)** that can be used to pay for certain OOP medical costs, including prescription medications.
- » Some employers that offer HDHPs may also choose to offer a **health reimbursement account (HRA)** to their employees. With HRAs, employers reimburse employees with HDHPs for medical expenses that are not covered by their plans. Some people with HDHPs receive much higher HRA reimbursements than others because employers that offer HRAs define the maximum amount they will reimburse their employees for OOP health expenses under their HRAs.
- » Although employers do not have to offer HRAs to their employees, anyone with a HDHP that meets the IRS criteria can set up an HSA.

How Many People are in High-Deductible Health Plans? How High are the Deductibles?

- » In 2016, about 47 percent of all people with non-government jobs were enrolled in a HDHP.
- » While only 42 percent of people who work for very large companies are enrolled in HDHPs, more than 56 percent of people who work for very small companies are enrolled in these plans.
- » On average, people who are enrolled in HDHPs and work at small companies have much higher deductibles (\$2,801 for an individual and \$5,332 for a family) than HDHP enrollees who work for very large companies (\$2,154 for an individual and \$4,280 for a family).¹
- » Small companies are less likely to offer HRAs to help offset their employees' deductibles.

¹Miller GE, Vistnes JP, Rohde F, Keenan PS. High-Deductible Health Plan Enrollment Increased From 2006 To 2016, Employer-Funded Accounts Grew In Largest Firms. Health Affairs. 2018;37(8): 1231–1237.

Is There a Connection Between Medicare and High-Deductible Health Plans?

- » People who are enrolled in Medicare Parts A and/or B and still work can no longer contribute to an HSA.
- » People who are enrolled in Medicare can still use money from an HSA to cover OOP medical expenses.
- » Some people choose to delay enrolling in Medicare so they can continue contributing to their HSA; not everyone can do this, and the decision may impact Social Security benefits.

HDHPs and Access to Prescription Medications

- » With the exception of some OOP expenses for preventive care, people who have HDHPs have to pay all their OOP health expenses—including all costs for their prescription medications—until their deductible is met.
- » This can have a major impact on some people with HDHPs because many of these plans have deductibles that are much higher than the minimum that is defined by the IRS.
- » This can mean that some people will need to pay thousands of dollars in OOP costs for their medications before their insurance kicks in.
- » Although HRAs and HSAs can help, not all employers offer HRAs, and HSAs may not help lower-wage employees.

Steps You Can Take

- » **Find out from your human resources department if you are enrolled in a HDHP.** If you are, ask if your HDHP meets the IRS criteria.
- » **If your employer offers an HRA, take full advantage of this benefit.** HRAs reimburse employees for their OOP medical expenses up to the limit defined by the employer. You must complete the necessary paperwork to receive reimbursements.
- » **If your employer does not offer an HRA, ask them to start one.**
- » **Enroll in an HSA if your HDHP meets IRS requirements.** With an HSA, you can set aside pre-tax income to cover OOP health costs for prescription medications.
- » **If your employer only offers HDHPs, ask them to make a non-HDHP option available.** Some employers only offer HDHPs. If the health plans offered by your employer are limited to HDHPs, ask your human resources office to offer a non-HDHP option.
- » **Make full use of the resources offered by your employer.** Employers can offer a wide variety of resources to help employees manage their health conditions and OOP healthcare costs, including prescription medications. Find out what resources are available to you.
- » **Review your medications and health plan options each year to find the plan that will minimize your OOP costs.** Deductibles and premiums can change from year to year and so can your prescription medication costs. During your annual open enrollment period, use online tools from insurance providers or [other resources](#) to estimate your OOP healthcare costs so you can choose the plan that will minimize these costs.
- » **If you are still working when you become eligible for Medicare, understand the pros and cons of enrolling in Medicare.** Talk to a financial planner or other professional who is familiar with your health needs—including the cost of your prescription medications—to help you decide what is best for you.

The PAN Foundation

The mission of the PAN Foundation is to help underinsured people with life-threatening, chronic and rare diseases get the medications and treatment they need by paying for their out-of-pocket costs and advocating for improved access and affordability.

For more information about the PAN Foundation, visit www.panfoundation.org.