COMPLIANCE BULLETIN

IRS Expands Preventive Care for HDHPs to Include Chronic Conditions

HIGHLIGHTS

- An HDHP can only pay benefits after the annual deductible has been reached, except for preventive care benefits.
- The IRS has expanded the scope of preventive care to include certain medical services for specific chronic conditions.
- These chronic conditions include diabetes, asthma, congestive heart failure and depression.

IMPORTANT DATE

July 17, 2019

The expanded list of preventive care in IRS Notice 2019-45 is effective.

OVERVIEW

On July 17, 2019, the IRS released Notice 2019-45 to add care for a **range of chronic conditions** to the list of preventive care benefits that can be provided by a high deductible health plan (HDHP) without a deductible.

Individuals who are covered by an HDHP generally may establish and make contributions to a health savings account (HSA). To qualify as an HDHP, the plan cannot provide benefits for any year until a minimum deductible is satisfied. However, an HDHP may provide benefits for preventive care without imposing a deductible.

IRS Notice 2019-45 classifies certain medical care services and items, **including prescription drugs**, for chronic conditions as preventive care for individuals with those chronic conditions.

ACTION STEPS

This guidance makes it easier for HDHP participants to receive benefits for medications and other care to treat their chronic conditions. Employers with HDHPs should review their plan documents and consult with their carriers and benefit administrators, if necessary, to determine how their plans cover preventive care benefits.

Provided By:
National Insurance Services, Inc.

NIS National Insurance Services

HDHP – Preventive Care

To be eligible to establish an HSA and make contributions, an individual must be covered under an HDHP and have no disqualifying health coverage. An HDHP is a health plan that satisfies requirements for minimum deductibles and out-of-pocket maximums.

Except for preventive care benefits, no benefits can be paid by an HDHP until the minimum annual deductible has been satisfied. An HDHP may apply a low deductible (or no deductible) to its coverage of preventive care.

Certain medical care services and items (including prescription drugs) for chronic health conditions now qualify as preventive care for individuals with those conditions, which means they may be covered by an HDHP without a deductible.

The IRS has provided guidance on permissible preventive care benefits for HDHPs. These benefits include, for example, periodic health exams (such as annual physicals), routine prenatal and well-child care, immunizations and screening devices and tests (such as cancer screenings).

As a general rule, preventive care generally does not include any service or benefit intended to treat an existing illness, injury or condition. For cost reasons, individuals with chronic conditions may not obtain necessary medical care, leading to consequences that require considerably more extensive medical intervention (for example, amputation, blindness, heart attacks and strokes).

Executive Order

On June 27, 2019, President Donald Trump signed an executive order aimed at improving price and quality transparency in health care. The order directs federal agencies to issue guidance in several areas regarding health care costs. Specifically, the executive order directs the Treasury Department and IRS to expand the ability of patients to select HSA-compatible HDHPs that cover low-cost preventive care, before the deductible, that helps maintain health status for individuals with chronic conditions. The IRS issued Notice 2019-45 in response to this executive order.

Expanded Preventive Care for Chronic Conditions

Notice 2019-45 provides that certain medical care services and items, including prescription drugs, for certain chronic conditions should be classified as preventive care under the HDHP rules for individuals with those chronic conditions. These medical services and items are limited to the ones listed below for individuals with the corresponding conditions:

Preventive care for specified conditions	For individuals diagnosed with
Angiotensin converting enzyme (ACE) inhibitors	Congestive heart failure, diabetes and/or coronary artery disease
Anti-resorptive therapy	Osteoporosis and/or osteopenia
Beta-blockers	Congestive heart failure and/or coronary artery disease
Blood pressure monitor	Hypertension
Inhaled corticosteroids	Asthma
Peak flow meter	
Insulin and other glucose-lowering agents	Diabetes
Retinopathy screening	
Glucometer	
Hemoglobin A1c testing	
International normalized ratio (INR) testing	Liver disease and/or bleeding disorders
Low-density lipoprotein (LDL) testing	Heart disease
Selective serotonin reuptake inhibitors (SSRIs)	Depression
Statins	Heart disease and/or diabetes

These additional services and items are treated as preventive care only when prescribed to treat an individual with the specified chronic condition, and only when prescribed to prevent the exacerbation of the chronic condition or the development of a secondary condition.

If an individual is diagnosed with more than one chronic condition, all listed services and items applicable to the two or more conditions are preventive care. However, services and items not listed above that are for secondary conditions or complications that occur are not considered preventive care for HDHP purposes.

In addition, Notice 2019-45 clarifies that its guidance does not impact the definition of preventive care under the Affordable Care Act (ACA). Under the ACA, non-grandfathered health plans must cover specific preventive care services without any participant cost-sharing.