

# Issues Arise as Health Plans Begin Covering At-Home COVID-19 Tests

Insurers say systems not yet ready to pay upfront costs

By Stephen Miller, CEBS

January 19, 2022

**A**s the Biden administration's requirement that health plans and insurers cover the cost of at-home COVID-19 tests, within certain limits ([www.shrm.org/ResourcesAndTools/hr-topics/benefits/Pages/DOL-Spells-Out-Requirements-to-Pay-for-COVID-19-Test-Kits-Beginning-Jan-15.aspx](https://www.shrm.org/ResourcesAndTools/hr-topics/benefits/Pages/DOL-Spells-Out-Requirements-to-Pay-for-COVID-19-Test-Kits-Beginning-Jan-15.aspx)), took effect on Jan. 15, initial stumbling blocks were evident. Some insurers said their data processing systems were not yet ready to pay the upfront costs of tests purchased by consumers at pharmacies. Employers with self-insured health plans, meanwhile, were trying to decide the best way to pay for the tests.

"Getting up and running was a little challenging given that the regulations were issued on Monday, Jan. 10, with plan sponsors and insurers expected to comply by the following Saturday," said John Coleman, a principal with HR consultancy Mercer's health and benefits practice in Morristown, N.J.

## Reminder: Coverage Requirements

A set of frequently asked questions and answers (<https://www.dol.gov/sites/dolgov/files/EBSA/about-ebsa/our-activities/resource-center/faqs/aca-part-51.pdf>) posted on Jan. 10 by the Department of Labor states that over-the-counter (OTC) test kit purchases starting Jan. 15 will be covered without the need for a health care provider's order. Plans and insurers:

- **May make tests available for upfront coverage** through preferred pharmacies or retailers but are still required to reimburse tests purchased by consumers outside of that network, at a rate of up to \$12 per individual test. They may elect to provide more generous reimbursement to plan enrollees up to the actual price of tests purchased from an out-of-network provider.
- **May set limits** on the number of OTC tests covered without cost-sharing but must allow up to eight tests per plan enrollee per month. A family of four, all on the same plan, would be able to get up to 32 of these tests covered by their health plan per month.
- **May not set limits** on the number of covered tests if these are ordered by a health care provider following a clinical assessment.

## Employees Can Order Free Tests by Mail

While plan sponsors and issuers were adjusting their benefits to cover the cost of COVID-19 at-home tests, the administration moved forward with President Joe Biden's order that the federal government purchase 500 million at-home rapid COVID-19 testing kits (<https://www.whitehouse.gov/briefing-room/statements-releases/2021/12/21/fact-sheet-president-biden-announces-new-actions-to-protect-americans-and-help-communities-and-hospitals-battle-omicron/>) to be sent free of charge to Americans who request them.

The administration's action is in addition to its policy of allowing Americans to buy and get reimbursed through private insurance for at-home tests.

On Jan. 18, the government's COVIDtests.gov (<https://www.covidtests.gov/>) website began accepting orders for free COVID-19 test kits to be delivered to people's homes. Orders are limited to four tests per household (<https://www.news5cleveland.com/news/national/coronavirus/white-house-to-launch-website-where-americans-can-order-free-covid-tests-next-wednesday>) from the initial batch of 500 million, according to a White House fact sheet.

Test kits will typically ship within 7 to 12 days of ordering, the White House said. The service will prioritize orders and send tests first to "households experiencing the highest social vulnerability and in communities that have experienced a disproportionate share of COVID-19 cases and deaths, particularly during this omicron surge."

Employers can inform workers about this additional avenue for acquiring test kits, as "nothing prevents employees covered by an employer-sponsored plan from going on the website and ordering tests," Coleman noted.

Some observers raised concerns that the week-plus delivery time could encourage people with no immediate need for a test to order kits and keep them on hand, which could overload the systems and cause further delivery delays.

**'Nothing prevents employees from going on the government website and ordering tests.'**

### **Insurers' Systems Need Updating**

Regarding the new mandate that health plans (for self-insured employers) and insurance carriers (for fully insured employers) pay for the cost of test kits, some insurers said it may take additional weeks past the government's Jan. 15 start date before they can update their systems to pay for the test kits at the point of sale, *The New York Times* reported (<https://www.nytimes.com/2022/01/14/upshot/free-rapid-covid-tests.html>) on Jan. 14.

"The new process will be hard, the insurers say, because over-the-counter coronavirus tests are different from the doctor's visits and hospital stays they typically cover," health reporter Sarah Kliff wrote. "The tests do not currently have the type of billing codes that insurers use to process claims. Health plans rarely process retail receipts; instead, they've built systems for digital claims with preset formats and long-established billing codes."

Consumers who purchase at-home tests starting Jan. 15 are advised to keep their receipts and be prepared to submit them to their insurer for reimbursement. In addition, Jenny Chumbley Hogue, a Texas-based insurance broker, recommended that purchasers "save not just receipts but also the boxes that the tests come in, because some plans may require the boxes as proof of purchase," Kliff reported.

Separately, the *Times* reported that several large U.S. companies, including Google and Morgan Stanley, have been stockpiling rapid COVID-19 tests (<https://www.nytimes.com/2022/01/12/business/covid-testing-google-blackrock-morgan-stanley.html>) for their employees, noting that distributing test kits "has become the newest wellness benefit, a perk to keep employees healthy and working—even from their couches—while providing peace of mind."

### **SHRM RESOURCE HUB PAGE**

Coronavirus and COVID-19 ([www.shrm.org/ResourcesAndTools/Pages/communicable-diseases.aspx](http://www.shrm.org/ResourcesAndTools/Pages/communicable-diseases.aspx))

## Managing Costs

Mercer's Coleman advised employers to take steps to keep costs down for the unbudgeted expense of paying for at-home COVID-19 tests. He suggested these three options for self-insured employers:

**1. Plan ahead with the knowledge that the mandate allows for eight tests per family member, so a family of four is entitled to 32 tests per month.** At a cost of \$12 per test, this could cost a plan \$384 per family per month. "Obviously, not every family of four will need 32 tests, but it is important to assess utilization assumptions to develop a reasonable estimate of the projected cost," Coleman advised. "A plan's health consultant or actuary can help with this type of analysis."

**2. For self-insured employers, there is a need to balance cost versus access.** A self-insured employer can decide whether to cover OTC COVID-19 tests under its medical and/or prescription drug plans. "While covering under both benefits will potentially create more access, it may lead to significantly more cost if the appropriate coordination is not in place," Coleman said. "If there's no data-sharing between the medical carrier and pharmacy benefit manager, self-insured plan sponsors could end up covering eight tests per member per month under the medical plan and another eight under the pharmacy plan, which can get expensive."

**3. Companies can work directly with preferred OTC test sellers through a pharmacy network and a direct-to-consumer shipping program.** "This allows participants to get the test without upfront payment," Coleman noted. If this approach isn't used, the cost to consumers who buy tests from out-of-network providers could exceed the maximum required reimbursement limit of \$12 per test (or \$24 if two tests are in a kit) and drive up costs for plan sponsors that elect to reimburse the full cost of test kits.

Coleman also noted that some pharmacy benefit managers (for drug plans) and insurance carriers (for health plans) are developing their own online direct-to-consumer option, which will allow enrollees to order tests free of charge and allow self-insured plan sponsors to limit their out-of-network costs.

## Updating Plan Documents

"Plan sponsors should work with their third-party administrator or insurer to develop a process for coverage of OTC COVID-19 tests and to develop procedures to reduce the risk of participant fraud," advised a Jan. 14 alert from law firm McDermott Will & Emery (<https://www.employeebenefitsblog.com/2022/01/are-out-of-pocket-costs-on-their-way-out-at-home-covid-19-testing-and-expanded-preventative-healthcare-for-women-and-children/>). "The new requirements should be incorporated into relevant participant communications, such as open enrollment and communication materials, plan documents, summary plan descriptions and summary of material modifications."

### Related SHRM Article:

DOL Spells Out Requirements to Pay for COVID-19 Test Kits, Beginning Jan. 15 ([www.shrm.org/ResourcesAndTools/hr-topics/benefits/Pages/DOL-Spells-Out-Requirements-to-Pay-for-COVID-19-Test-Kits-Beginning-Jan-15.aspx](http://www.shrm.org/ResourcesAndTools/hr-topics/benefits/Pages/DOL-Spells-Out-Requirements-to-Pay-for-COVID-19-Test-Kits-Beginning-Jan-15.aspx)), *SHRM Online*, January 2022

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