Medical Xpress

States select benchmark plans for essential health benefit required by Affordable Care Act

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Twenty-four states and the District of Columbia have selected the health insurance plan in their state that will serve as the "essential health benefit" package sold by all insurers participating in the new health insurance marketplace and the individual and small-group markets beginning January 2014, according to a new Commonwealth Fund study. Designed to improve the adequacy of health coverage, the essential health benefit covers 10 broad service categories, including ambulatory patient care, hospitalization, maternity and newborn care, and prescription drugs. The federal government allowed each state to choose a benchmark plan to help meet the Affordable Care Act requirement that the essential health benefit reflect a typical employer health insurance plan.

The report, Implementing the Affordable Care Act: Choosing an Essential Health Benefits Benchmark Plan, by Sabrina Corlette and colleagues at Georgetown University, reviews states' progress in selecting these benchmark plans between January 1, 2012, and October 15, 2012. The authors found that 19 of the states that selected plans chose existing small-group plans—typically employer-based plans for businesses with fewer than 50 employees. The remaining five states selected HMO or state employee benefit plans. For states that did not select a benchmark plan, the federal government will designate the largest small-group plan in the state as the benchmark, meaning that the majority of states will have the most widely purchased small-group plan

in the state as the basis of their essential health benefit. According to the report, selecting existing small-group market plans, which are similar to what many consumers already have, will likely mean a smoother transition into the new marketplaces and an easier adjustment to the new rules.

"Many consumers who purchased health plans on their own do not have insurance that covers all their health needs," said Commonwealth Fund vice president Sara Collins. "The new essential health benefit is designed to ensure people have comprehensive plans. But the federal government allowed states considerable flexibility in adopting this new standard to fit their local insurance markets."

In an in-depth investigation into how 10 states arrived at their benchmark plan, the authors found that states conducted analyses of plan enrollment and costs, and engaged consumer and patient groups, insurers, and specialty physicians in their decision-making process. The desire to preserve state benefit mandates not included in the federal essential health benefit package was also a factor in choosing benchmark plans.

"State officials are now turning to implementation of the essential health benefits requirements," said Corlette, lead author of the report. "Several officials noted that they would likely need to enact state legislation to ensure their departments of insurance will have the authority to enforce these new benefit standards for consumers."

Moving Forward

The Department of Health and Human Services (HHS) will evaluate the benchmark selection process and may choose to revisit it in 2016. If that is the case, the authors recommend that the federal government establish minimum standards that states must use when selecting their benchmark

plans. Noting that state officials have unanswered questions about implementation of the essential health benefit, the authors say that HHS should be responsive to and flexible in accommodating states' needs as the transition progresses.

"We are in the process of a significant shift in how health insurance is packaged and sold across the country, and the essential health benefit is a remarkable change," said Commonwealth Fund president David Blumenthal. "For the first time, consumers will be guaranteed comprehensive insurance coverage that will enable them to get the health care they need."

The report will be available on March 13 at: commonwealthfund.org/Publications/Issue-Briefs/2013/Essential-Health-Benefits-Benchmark.apsx.

Methodology: This analysis is based on a review by researchers at the Georgetown University Health Policy Institute's Center on Health Insurance Reforms of new action in the 50 states and the District of Columbia between January 1, 2012, and October 15, 2012 to select an essential health benefits benchmark plan. The review of new action includes an analysis of state laws, regulations, subregulatory guidance, state websites, press releases, and other publicly available information related to benchmark plan selection. The resulting assessments of state action were confirmed by state regulators.

The researchers also conducted in-depth interviews with state officials and analyzed non-legal sources of information that include analyses, reports, and meeting minutes or transcripts in 10 states. These 10 states—Arkansas, Arizona, California, Connecticut, Mississippi, Montana, North Carolina, North Dakota, Utah, and Washington—were chosen because of their diverse approaches to selecting a benchmark plan. These approaches largely reflect the diversity of approaches in all

50 states and the District of Columbia.

This analysis is limited to state processes and decisions that took place during the study period of January 1, 2012 to October 15, 2012.

Provided by Commonwealth Fund