



# State of Michigan Essential Health Benefits Analysis and Results - Updated August 16, 2012

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# Essential Health Benefits - Overview

- Beginning in 2014, individual and small group health plans will be required under the Affordable Care Act to offer an Essential Health Benefits (EHBs) package.
- Ten potential benchmark options:
  - the largest plan by enrollment in any of the three largest small group insurance products in the State's small group market;
  - any of the largest three State employee health benefit plans by enrollment;
  - any of the largest three national FEHBP plan options by enrollment; or
  - the largest insured commercial non-Medicaid Health Maintenance Organization (HMO) operating in the State.
- Benefits are placed into the 10 service categories defined by HHS (some subjectivity exists with these placements).
- Default benchmark is largest plan by enrollment in the largest product in the State's small group market.

# Goals of Analysis

- Ultimate goal is to assist in the selection of the Essential Health Benefit (EHB) benchmark by quantifying the premium impact of the different benchmark options.
- Other key considerations in selecting a benchmark
  - Coverage of state mandates
  - Benefit gaps that must be supplemented from other plans (pediatric oral, pediatric vision and habilitative services)
  - Since benefits may be substituted within categories (and potentially across categories) as long as they are substantially similar and actuarially equivalent, the relative richness of each plan should be the focus compared to the specific benefits covered
- Reference documents (embedded in appendix)
  - File prepared by the State of Michigan labeled “EHB comparison final3”
  - File prepared by the State of Michigan labeled “EHB comparison dental and vision 8-6-12”

# Current Guidance (Subject to Change)

- No annual or lifetime dollar limits (quantity limits allowed)
- Benefit substitutions are expected to be allowed within categories and possibly across categories as long as actuarially equivalent and substantially similar.
  - Actuarially equivalent defined according to CHIP regulations
  - Substantially similar not clearly defined
  - Thus, if the selected benchmark covers a benefit, it does not guarantee it will be a covered benefit in 2014
- Recent guidance changes:
  - Riders can be considered as part of the benchmark option if they are part of the most popular benefit combination in the product
  - Guidance forthcoming on drug class list for prescription drug coverage but have indicated a change from recent guidance
  - Non-quantitative limits (e.g. pre-authorizations) are not part of the EHB

# Comparison of Benchmark Options

- Analysis compares the benefit differences of the ten benchmark plans:
  - Small Group 1 – BCBSM Community Blue PPO Plan 4
  - Small Group 2 – Priority Health HMO
  - Small Group 3 – BCN10 HMO
  - State Plan 1 – BCBSM Self-Insured
  - State Plan 2 – PHP HMO
  - State Plan 3 – Priority Health HMO
  - HMO – Priority Health HMO
  - FEHBP – BCBS Standard Option
  - FEHBP – BCBS Basic Option
  - FEHBP – GEHA Standard Option

# Comparison of Benchmark Options

- The State of Michigan compared the benefits covered by each of the 10 benchmark options.
- Benefits were grouped into the 10 required categories.
- Wakely made edits if more detail was needed to accurately price the benefit differences.
- Any quantity limits are captured (e.g. limit of 10 chiropractic visits per year).
- Non-quantitative limits are excluded from the comparison.
- Supplemental (dental and vision) benefit and premium comparison is included in the benchmark analysis.

# Premium Impact of Benefit Differences

- For each benefit coverage that is not the same for all 10 benchmark options, a premium impact for the benefit differences was estimated.
- For consistency, benefits that need to be supplemented for at least one plan were not included in the premium impact analysis. Thus, benefit differences related to habilitative services, pediatric oral and pediatric vision are not included in the medical premium impact, although pediatric oral and pediatric vision are included in their own premium impact section.
- Benefit costs were analyzed with the following information:
  - Industry data
  - Actuarial judgment if limited data available



# Premium Impact of Benefit Differences

- Impacts were estimated by considering the benefit independent of downstream effects. For example, if infertility treatment is covered it might also increase maternity costs, including a higher incidence of high cost multiple births. However, only the estimated cost of the infertility benefit is included in the estimates.
- Premium impacts are 2014 Per Member Per Month (PMPM) projections.
- The analysis spreads the PMPM premium impact over all members. For example, the cost of pediatric dental will be spread over the entire population, not just the pediatric population.
- Premium impacts assume no member cost sharing. Thus, the impact for a silver plan would be approximately 70% of the impact shown.
- Where necessary, dollar limits (e.g. \$2000/year alternative medicine limit) were converted to visit/day/unit limits based on an estimated allowed cost per visit/day/unit.

# Premium Impact of Benefit Differences

- Estimated premium impacts were developed for each benefit difference (any benefit that was not the same for all 10 benchmark options). The premium impacts were summed for all benefit differences by benchmark option. The plan with the lowest premium impact is the leanest plan and is used as the baseline plan. All other plans are shown relative to the baseline. For example, if a plan's Premium Impact is \$2.50-\$3.50, it is that much richer than the baseline plan and the baseline plan's premium would need to increase by this amount if this plan was chosen as the benchmark.
- While specific benefit differences can be important, the focus is on the relative richness of the benchmark options.
- PMPM impacts do not represent the premium change to each individual or group but rather the relative impact to all other benchmark plans. For example, if an individual plan is significantly leaner than the baseline plan the premium will need to increase to at least the baseline benchmark. If the selected benchmark is richer than the baseline the premiums will increase further.

# Premium Impact of Benefit Differences

- The Priority Health Small Group and the HMO plans are the leanest plans (i.e. baseline plans) as these two plans are the same.
- The FEHBPs are the richest plans with their limited adult dental benefit driving the premium differences.

Benchmark Option	Premium PMPM Impact of Benefit Differences
Small Group 2 - Priority Health (HMO)	\$0.00 - \$0.00
HMO - Priority Health (HMO)	\$0.00 - \$0.00
Small Group 1 - BCBSM Community Blue PPO Plan 4	\$2.00 - \$2.50
State Plan 3 - Priority Health (HMO)	\$2.00 - \$2.50
Small Group 3 - BCN10 (HMO)	\$2.75 - \$3.50
State Plan 1 - BCBSM (Self-insured)	\$3.50 - \$4.50
State Plan 2 - PHP (HMO)	\$4.00 - \$5.00
FEHBP - BCBS Standard Option	\$5.50 - \$7.00
FEHB - GEHA Standard Option	\$13.00 - \$16.25
FEHBP - BCBS Basic Option	\$14.50 - \$18.25

# Premium Impact of Benefit Differences

- For each benefit listed in the comparison, the premium impact is noted (none, not significant, low, medium and high).
- The benefit differences with the highest impact (greater than or equal to \$1.00 PMPM):
  - Dental – Adult Preventive and Basic (Miscellaneous)
  - Infertility (Miscellaneous)
  - Fertility Drugs (Prescription Drugs)
  - PT/OT/ST (Rehabilitative and habilitative services)
- The benefit differences with a moderate impact (greater than or equal to \$0.50 but less than \$1.00 PMPM):
  - SNF (Hospitalization)
- The benefit differences with a low impact (greater than or equal to \$0.15 but less than \$0.50 PMPM):
  - Chiropractic (Miscellaneous)
  - Home Health Care Services (Ambulatory)
  - Hearing Aids – Adults (Rehabilitative and habilitative services)
  - Mental Health / Substance Abuse (Mental health and substance use disorder)

# State Mandated Benefits

- State must defray the costs of any state benefit mandates not covered by the chosen benchmark.
- According to the analysis provided by the state, all of the benchmark options cover each mandate.
- Reference document is embedded in the appendix with the label “EHB Comparison Benefit Impact Grid 08.16.2012 Final”.

# Supplemental Benefit Gaps and Options

- The benefit gaps that will need to be supplemented vary by benchmark option.
- HHS guidance on supplemental options varies by benefit (discussed later).

Benchmark Option	Habilitative Services	Pediatric Oral	Pediatric Vision
Small Group 1 - BCBSM Community Blue PPO	NC	NC	NC
Small Group 2 - Priority Health (HMO)	NC	NC	NC
Small Group 3 - BCN10 (HMO)	NC	NC	NC
State Plan 1 - BCBSM (Self-insured)	NC	NC	NC
State Plan 2 - PHP (HMO)	NC	NC	NC
State Plan 3 - Priority Health (HMO)	NC	NC	NC
HMO - Priority Health (HMO)	NC	NC	NC
FEHBP - BCBS Standard Option	√ limited	√ limited	NC
FEHBP - BCBS Basic Option	√ limited	√ limited	NC
FEHB - GEHA Standard Option	√ limited	√ limited	NC

√ Covered benefit. Limited benefits are noted.  
 NC Not a covered benefit

# Pediatric Vision

- None of the benchmark options currently cover pediatric vision. Thus, this benefit will need to be supplemented.
- Per federal guidance, the only supplemental vision option is the FEDVIP Vision plan with the highest national enrollment (BlueVision High plan)
  - Benefits cover eye exams, lenses, frames and contact lenses (limits apply both in frequency and maximum benefit).
- Premium impacts assume current dollar limits are converted to quantity limits.
- Some high level pricing assumptions still exist such as the percent of the population that will be eligible for pediatric vision services. The pediatric age limit is still undefined by the Center for Consumer Information and Insurance Oversight (CCIIO). For this analysis, the pediatric benefits are assumed to be covered through age 18.

# Pediatric Vision

Benefit - Applies to Children Only	FEDVIP - BlueVision High Plan
<b><i>Estimated Premium Impacts</i></b>	
PMPM - 100% AV	\$1.00 - \$1.50
PMPM - 70% AV	\$0.75 - \$1.00
Annual Family of 4 - 70% AV	\$25 - \$39

<b><i>Diagnostic</i></b>	
Eye Exam	√ limit 1 / yr
<b><i>Eyewear</i></b>	
Lenses	√ limit 1 pair / yr
Frame	√ limit 1 / yr \$150 allowance
Contact Lenses	√ limit 1 / yr \$150 allowance in lieu of eyeglasses (\$600 for medically necessary)



# Pediatric Dental

- Only the federal plans have pediatric dental coverage so this benefit will need to be supplemented for all of the other benchmarks
- Supplemental Options
  - FEDVIP Dental plan with highest national enrollment (MetLife Dental PPO – High Option)
  - State of Michigan CHIP dental plan - MICHild
- The benefits for the two supplemental options are both comprehensive with only minimal differences in limits and exclusions
  - Orthodontics does not need to be included unless medically necessary even if included in the benefits of the supplemental option
- Premium impacts for the two options are similar with any benefit differences offsetting each other.
- Some high level pricing assumptions still exist such as the percent of the population that will be eligible for pediatric dental services. The pediatric age limit is still undefined by CCIIO. For this analysis, the pediatric benefits are assumed to be covered through age 18.

# Pediatric Dental

Benefit - Applies to Children Only	State of MI MIChild	FEDVIP - MetLife Dental PPO
<i>Estimated Premium Impacts <sup>1</sup></i>		
PMPM - 100% AV	\$5.75 - \$7.25	\$6.00 - \$7.50
PMPM - 70% AV	\$4.00 - \$5.25	\$4.25 - \$5.25
Annual Family of 4 - 70% AV	\$151 - \$191	\$155 - \$196

- See embedded file prepared by the State of Michigan in the appendix and labeled “EHB comparison dental and vision 8-6-12” for detailed benefit comparison.

# Habilitative Services

- As a transitional approach for habilitative services, the HHS EHB Bulletin discusses two alternative options that HHS is considering<sup>1</sup>:
  - A plan would be required to offer the same services for habilitative needs as it offers for rehabilitative needs and offer them at parity.
  - A plan would decide which habilitative services to cover and report the coverage to HHS. HHS would evaluate and further define habilitative services in the future.
- Under either approach, a plan would be required to offer at least some habilitative benefit.
- Since HHS has indicated that this will be a plan determined benefit, there is a large range of possible benefits and premium impacts. Thus, no premium impact is estimated at this time.

<sup>1</sup> Frequently Asked Questions on Essential Health Benefits Bulletin at <http://cciio.cms.gov/resources/files/Files2/02172012/ehb-faq-508.pdf>

# Overall Impact to Premiums

- Overall premium impacts driven by the pediatric benefits.
- Medical and Prescription drug benchmark options may also impact the overall impact significantly depending on the benchmark chosen.

Benefit Category	Range of Premium PMPM Impacts
Medical and Prescription Drug	\$0.00 - \$18.25
Pediatric - Vision	\$1.00 - \$1.50
Pediatric - Dental	\$5.75 - \$7.50
<b>Total EHB (100% AV)</b>	<b>\$6.75 - \$27.25</b>

# Caveats

- This document is for discussion purposes.
- Benefit information included in the comparisons is based on information provided by the state or is publicly available. This information should be reviewed for accuracy.
- Actual premium impacts will vary from the estimates provided. These impacts will also vary by factors such as health insurer, benefit design (metal level) and the demographics of the enrollees.
- Does not include the impact of habilitative services since this benefit still needs to be defined.
- This report is to aid the State of Michigan in its Exchange planning process. All results presented in this report are specific to the State of Michigan. Other uses and application to other states may be inappropriate.

# Appendix - Reference Documents

- Medical Benefits Summary - PDF prepared by the State of Michigan labeled “EHB comparison final3”



EHB comparison  
final3

- Dental and Vision Summary - PDF prepared by the State of Michigan labeled “EHB comparison dental and vision 8-6-12”



EHB comparison  
dental and vision 8-6-12

- Mandates and Benefit Impact - PDF prepared by the State of Michigan (with some additional comments provided by Wakely for clarity) labeled “EHB Comparison Benefit Impact Grid 08.16.2012 Final”



EHB Comparison  
Benefit Impact Grid 08.16.2012 Final