The Affordable Care Act and Benefit Mandates

California Health Benefits Review Program

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The Affordable Care Act (ACA)

Presentation will focus on:
- Changes coming in 2014
- Exchanges
- Essential health benefits (EHBs)
The ACA: The Basics

- Many key provisions already in effect
- In 2014, health insurance expansion:
  - Optional Medicaid expansion
  - Health insurance through exchanges
- In 2014, coverage of EHBs
CA Exchange: The Basics

- In 2014, CA will have a health benefits exchange—a health insurance marketplace for the individual and small group market
  - Covered California → California’s health benefits exchange

- In 2017, may allow the large group market into the exchange

- Subsidized coverage for those between 100% and 400% FPL

- Qualified health plans (QHPs) will be certified by and sold through exchanges
  - QHPs will be DMHC-regulated plans and CDI-regulated policies
# CA Exchange: Subsidized Coverage

<table>
<thead>
<tr>
<th>Income</th>
<th>Subsidized Coverage</th>
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<tbody>
<tr>
<td>100% to 250% FPL</td>
<td>▪ Sliding scale tax credits limit premium costs to 3-8.05% of income</td>
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<td>▪ Sliding scale cost-sharing credits</td>
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<tr>
<td>251% to 400% FPL</td>
<td>▪ Sliding scale tax credits limit premium costs to 8.05-9.5% of income</td>
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<td>▪ No cost sharing credits</td>
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The ACA and Benefit Mandates

- There are federal benefit mandates that were in existence prior to passage of the ACA.
- The ACA includes new federal benefit mandates, such as:
  - Coverage of specific preventive services without cost sharing
  - Restrictions on cost sharing for emergency services
  - Coverage of EHBs
Essential Health Benefits

- The ACA requires coverage of EHBs for nongrandfathered plans/policies in the small group and individual market—both inside and outside a state’s exchange—in 2014

- 10 EHB categories:
  1. Ambulatory patient services
  2. Emergency services
  3. Hospitalization
  4. Maternity and newborn care
  5. Mental health and substance abuse services, including behavioral health treatment
  6. Prescription drugs
  7. Rehabilitation and habilitation services and devices
  8. Laboratory services
  9. Preventive and wellness services and chronic disease management
  10. Pediatric services, including oral and vision care
Essential Health Benefits (cont’d)

- Must be equal to the scope of benefits covered under a “typical employer plan”
- Subject to specific cost sharing requirements
- States are required to defray the cost of state requirements that exceed EHBs for QHPs sold in a state’s exchange
- Required coverage of EHBs for certain Medicaid populations, including the newly eligible population
Federal Guidance on EHBs

EHB Bulletin—December 2011

- Guidance on defining EHBs for 2014 and 2015
- States can select from a specified set of benchmark plan options a benchmark plan to define EHBs in their state
- All 10 EHB categories must be included in the benchmark plan, or must be added
- Plans/policies must offer coverage that is “substantially equal” to the benefits in the selected benchmark plan
Federal Guidance on EHBs (cont’d)

Notice of Proposed Rulemaking (NPRM)—November 2012

- Aligns with the Bulletin—benchmark plan for defining EHBs in 2014 and 2015

- Proposes that:
  - State benefit mandates enacted by Dec. 31, 2011 will be included in the EHB benchmark plan
  - The exchange would be responsible for determining when a state benefit mandate exceeds EHBs, QHP issuers would be responsible for calculating the cost of a state benefit mandate that exceeds
California EHBs: 2014-2015

- Benchmark plan option selected: “the largest plan by enrollment in any of the three largest small group insurance products in the State’s small group market”
  - Selected: Kaiser Small Group HMO 30 plan
  - Pediatric vision: Federal Employees Dental and Vision Insurance Program (FEDVIP)
  - Pediatric dental: Healthy Families Program in 2011-12 (CA CHIP program)
California EHBs: Interaction with State Benefit Mandates

- CA state benefit mandates enacted by Dec. 31, 2011 → included in the EHB benchmark plan
  - Existing CA state benefit mandates
  - 2011 enacted benefit mandates—ex. coverage for autism

- CA state benefit mandates enacted now that the exchange determines exceeds EHBs → could be subject to the requirement that the state defray the cost
How a State Benefit Mandate Could Exceed EHBs: 2014 and 2015

1) Does the state benefit mandate require coverage in QHPs?

2) Does it fit into the proposed definition of state benefit mandates that could exceed EHBs?
   - Is it specific to care, treatment, and/or services?

3) Does it exceed the CA definition of EHBs?

➤ NPRM proposes Covered CA would make the determination
Looking forward...

- Definition of EHBs could change after 2015
  - Benchmark plan approach to defining EHBs is for 2014 and 2015—could change thereafter
  - Inclusion of “state-required benefits” in EHBs is for 2014 and 2015—could change thereafter

- In 2016, it appears CA may have to broaden its definition of the small group market—50 or less to 100 or less

- In 2017, large group could be included in the exchange