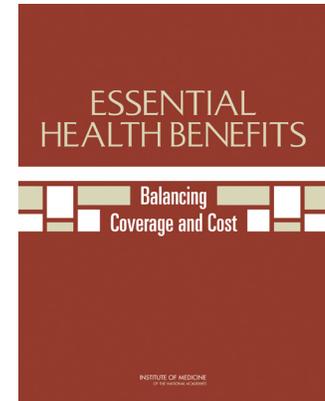


# Essential Health Benefits

## Balancing Coverage and Cost



**The Patient Protection and Affordable Care Act** of 2010 (ACA) is intended to help uninsured Americans obtain health insurance. As part of this effort, private health insurance plans will be offered to low- and moderate-income individuals and small employers through state-based “purchasing exchanges,” often with financial help. To ensure a more consistent level of benefits, the ACA requires that certain insurance plans—including those participating in the state purchasing exchanges—cover a package of diagnostic, preventive, and therapeutic services and products that have been defined as “essential” by the Department of Health and Human Services (HHS).

This package—commonly referred to as a set of essential health benefits (EHB)—constitutes a minimum set of benefits that the plans must cover, but insurers may offer additional benefits. The EHB are intended to cover health care needs, to promote services that are medically effective, and to be affordable to purchasers.

The ACA stipulated that HHS will define what the EHB package should include, while states will oversee day-to-day running of the exchanges. To assist with this, HHS asked the Institute of Medicine (IOM) to recommend a process that would help HHS do two things: 1) define the benefits that should be in the EHB, and 2) update the benefits to take into account advances in science, gaps in access, and the impact of any benefit changes on cost. The IOM appointed a committee to meet this task. The charge of the committee specifically was *not* to decide what is covered in the EHB but rather to propose a set of criteria and methods that should be used in deciding what benefits are most important for coverage.

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## Developing an Approach to Defining the EHB

In considering its task, the committee recognized two competing goals: to provide health insurance coverage for a wide range of health needs and to make it affordable. If it was not affordable, then many people would not be able to obtain it, even with government help, and this would conflict with the purpose of the ACA. Thus, the committee saw its primary task as finding the right balance between making coverage available for individuals to get the care they need at a cost they could afford. This balance will help ensure that an estimated 68 million people have access to care covered by the EHB.

One way to think about the EHB package is to compare HHS's task to going grocery shopping. One option is to go shopping, fill up your cart with the groceries you want, and then find out what it costs. The other option is to walk into the store with a firm idea of what you can spend and to fill the cart carefully, with only enough food to fit within your budget. The committee recommends that HHS take the latter approach to developing the EHB package and to keep in mind what small employers and their employees can afford. Employers who offer insurance packages make such choices now.

Keeping the EHB affordable is necessary for consumers, employers, and taxpayers. To maximize the number of people with insurance, the committee proposes that HHS embrace a framework for the entire EHB package that would:

- consider the population's health needs as a whole;
- encourage better care by ensuring good science is used to inform coverage decisions;
- emphasize the judicious use of resources; and
- carefully use economic tools to improve value and performance.

The ACA requires that the EHB include at least 10 general categories of health services and have benefits similar to those currently provided

by a typical employer. The 10 categories include:

- Ambulatory patient services
- Emergency services
- Hospitalization
- Maternity and newborn care
- Mental health and substance use disorder services, including behavioral health treatment
- Prescription drugs
- Rehabilitative and habilitative services and devices
- Laboratory services
- Preventive and wellness services and chronic disease management
- Pediatric services, including oral and vision care

The committee also identifies a set of criteria for considering the content of the whole EHB package and specific components within it, as well as methods for defining and updating the EHB (see Criteria). Current state insurance mandates—requirements that had previously been established by state law—should not automatically be included in the EHB package but reviewed in the same way as other potential benefits.

## Encouraging Public Involvement

In both defining and updating the EHB package, the methods used by HHS should be highly visible and allow for current and future enrollees to help define priorities for coverage. As envisioned by the committee, the public deliberation process would enable individuals—working in small group meetings around the country—to participate in a prioritization process, where different elements of coverage—specific services, types of cost-sharing, degree of provider choice, approval requirements, etc.—are discussed and debated. Learning from these groups will help HHS understand potential enrollees' priorities when tradeoffs are necessary. A small number of these meetings would comple-

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ment the process HHS would normally use for receiving public comment.

### **Ensuring Appropriate Care**

Consumers, employers, insurers, care providers, and government have a shared responsibility for improving health and using resources wisely. Only medically necessary services should be covered, and decisions by insurers about what is “medically necessary” should depend on the circumstances of an individual case. Under the ACA, when patients are denied care by their insurer, they have the right to appeal to an external review by experts.

### **Promoting State-based Innovations**

Some flexibility in defining the contents in the EHB will help encourage innovation at the state level. Proposed state-specific variations should be consistent with the ACA statute, abide by the selection criteria in this report, produce a benefits package that is equivalent in value to the EHB, and utilize meaningful public input.

### **Updating the EHB for Effectiveness and Sustainability**

HHS should update the EHB package annually, beginning in 2016, to promote better health outcomes for both individuals and the broader population. The benefit package needs to be based

on credible evidence of effectiveness. A National Benefits Advisory Council, appointed through a nonpartisan process, should be established to offer external advice on updates, data requirements, and the research plan. The IOM committee recommends that HHS immediately begin developing a plan for identifying data needs and a research agenda that will support the EHB updating process. The ability of the states to provide consistent and usable information to HHS will be enhanced if data needs are outlined at the start.

In updating the benefits, HHS should consider the projected cost of the current package, taking into account medical inflation, utilization of health services, and other factors. Any adjustments to the content of the EHB package should be made within that projected cost.

Without serious attention to rising health care costs across all sectors, the EHB will become unaffordable over time. Thus, HHS, working with others, including the private sector, should develop a strategy to reduce the rate of growth in health care spending, bringing it in line with the rate of growth in the economy. This will help preserve what benefits are covered by the EHB package.

### **Conclusion**

The goal of the ACA is to provide insurance coverage to more Americans. But that goal is threatened if we do not acknowledge that effective coverage requires compromise. Unless we are able to balance the cost with the breadth of benefits covered in the EHB, we may never achieve the



**Committee on Defining and Revising an Essential Health Benefits Package for Qualified Health Plans**

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health care coverage envisioned in the ACA. If the benefits are not affordable, fewer individuals will buy insurance. If accessing benefits is too difficult, people will not get the care that they need. And if health care spending continues to rise so rapidly, the benefits covered under the EHB will begin to erode, eventually resulting in minimal coverage for the people who need it most. The challenges are clear. But HHS has the opportunity to bring affordable and effective health insurance to millions more Americans. 

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