



Essential Health Benefits

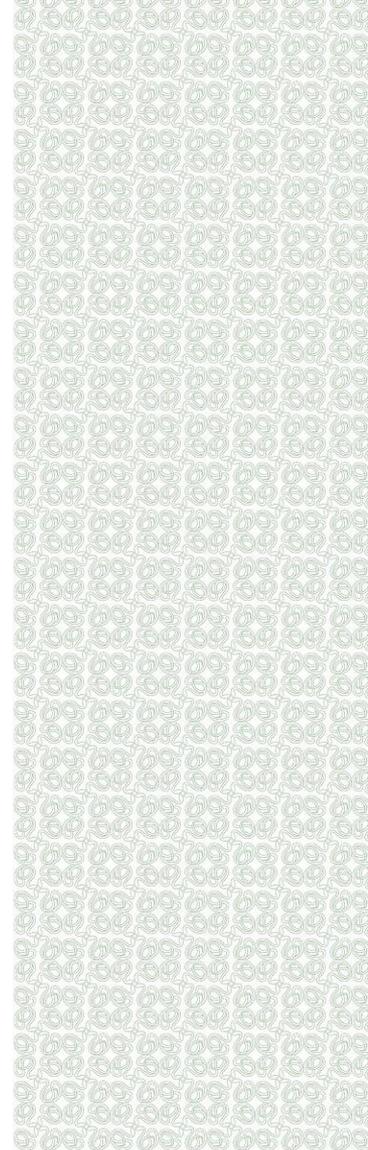
Balancing Coverage and Cost

Public Briefing, October 7, 2011



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Committee's Charge

- To develop *policy foundations, criteria and methods* for defining and updating Essential Health Benefits (EHB).
- Not to develop a specific list of categories and services for inclusion.



Approaching the Study

- Solicited public input via the web on questions relevant to EHB determination.
- Established online mailbox for the public to send other comments or materials.
- Held two public workshops with 59 speakers; published workshop summary: *Perspectives on Essential Health Benefits*.
- Conducted additional research and analysis.
- Held 4 in-person committee meetings and numerous conference calls.

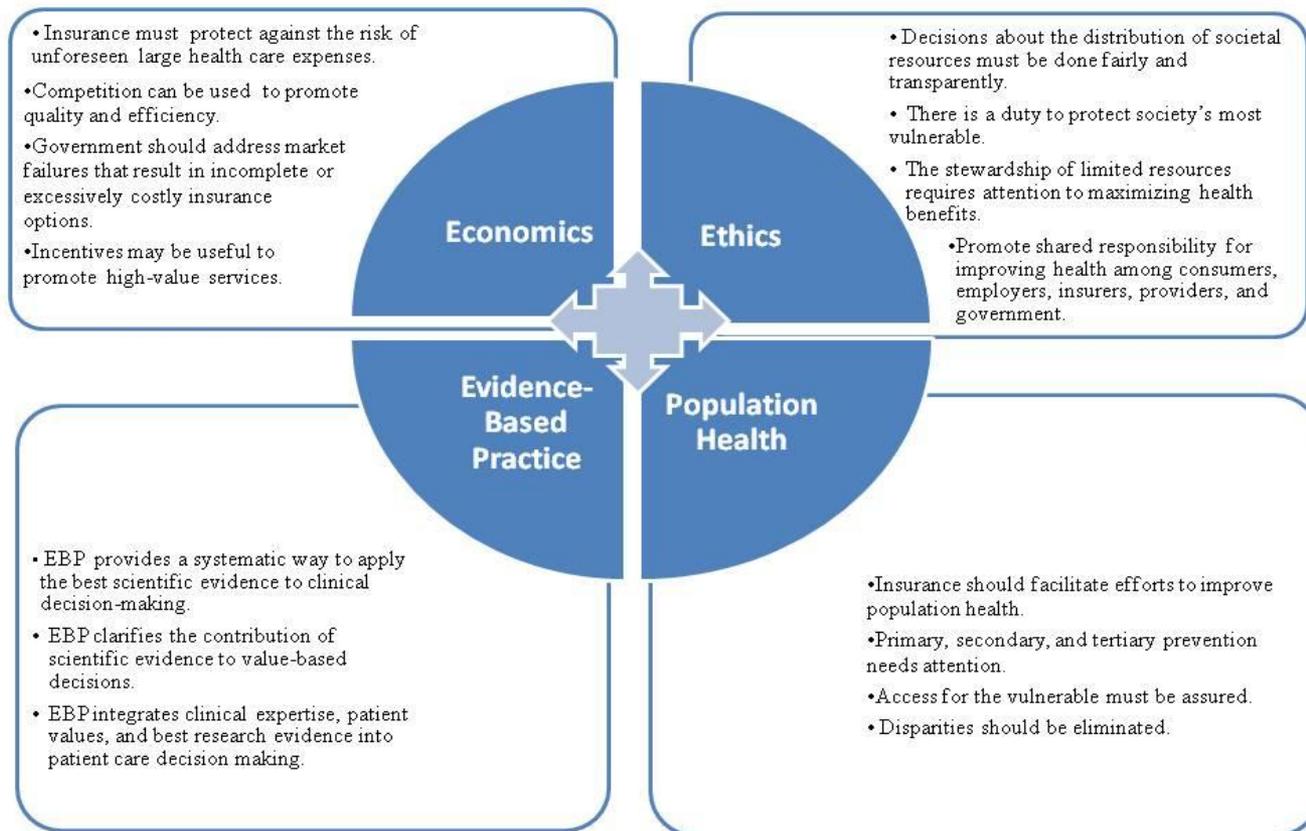


Key Issues That Emerged

- Setting a balance between comprehensiveness and affordability
- Defining what typical should mean for typical employer and benefits
- Determining whether state mandates should be automatically included
- Considering how specific HHS guidance should be when defining the EHB package and whether state to state variation might be allowable
- Developing criteria and methods that address calls for use of evidence, protection of patients, innovation, and fair processes



4 Policy Foundations with Principles



Criteria to Guide Content of the Aggregate EHB Package

In the aggregate, the EHB must:

- **Be affordable** for consumers, employers, and taxpayers.
- **Maximize the number of people with insurance coverage.**
- **Protect the most vulnerable** by addressing the particular needs of those patients and populations.
- **Encourage better care practices** by promoting the right care to the right patient in the right setting at the right time.
- **Advance stewardship of resources** by focusing on high value services and reducing use of low value services. Value is defined as outcomes relative to cost.
- **Address the medical concerns of greatest importance** to enrollees in EHB-related plans, as identified through a public deliberative process.
- **Protect against the greatest financial risks** due to catastrophic events or illnesses.

Criteria to Guide EHB Content on Specific Components

The individual service, device, drug for the EHB must:

- **Be safe**—expected benefits should be greater than expected harms.
- **Be medically effective** and supported by a sufficient evidence base, or in the absence of evidence on effectiveness, a credible standard of care is used.
- **Demonstrate meaningful improvement** in outcomes over current effective services/treatments.
- **Be a medical service**, not serving primarily a social or educational function.
- **Be cost effective**, so that the health gain for individual and population health is sufficient to justify the additional cost to taxpayers and consumers.

Caveats:

Failure to meet any of the criteria should result in exclusion or significant limits on coverage.

Each component would still be subject to the criteria for assembling the aggregate EHB package.

Inclusion does not mean that it is appropriate for every person to receive every component.

Criteria to Guide Methods for Defining and Updating the EHB

Methods for defining, updating, and prioritizing must be

- **Transparent.** The rationale for all decisions about benefits, benefit design, and changes is made publicly available.
- **Participatory.** Current and future enrollees have a role in helping define the priorities for coverage.
- **Equitable and consistent.** Enrollees should feel confident that benefits will be developed and administered fairly.
- **Sensitive to value.** To be accountable to taxpayers and plan members, the covered service must provide a meaningful health benefit.
- **Responsive to new information.** EHB will change over time as new scientific information becomes available.
- **Attentive to stewardship.** For judicious use of pooled resources, budgetary constraints are necessary to keep the EHB affordable.
- **Encouraging to innovation.** The EHB should allow for innovation in covered services, service delivery, medical management, and new payment models to improve value.
- **Data-driven.** An evaluation of the care included in the EHB is based on objective clinical evidence and actuarial reviews.



Balancing Act in Defining Benefits

Comprehensiveness

Statute

- Breadth of typical employer plan (TEP)—learn from plan documents and surveys
- Add to fulfill the 10 broad categories if missing from TEP

Select Committee Criteria

- Protect the most vulnerable
- Address medical concerns of greatest importance
- Encourage better care practices

Affordability

Statute:

- Equal in “scope” to TEP
- Subsidies, no annual and lifetime caps on EHB
- Insurers can continue to use utilization management

Select Committee Criteria

- Use average *small* employer premium as a measure of “scope” and as a budgeting tool
- Be evidence-based, medically effective, and cost effective



Recommendation Overview

Defining the EHB:

- develop a preliminary list built on statutory requirements and IOM criteria,
- incorporate consideration of cost by reconciling list to an average premium target, considering what small employers would have paid
- reflect the public voice in tradeoffs, and
- promote consistency in understanding through specific guidance

Learning from Implementation and Research:

- identify data and research needs at the outset,
- develop infrastructure to address research,
- support innovation through state-specific definitions, and
- appoint nonpartisan National Benefits Advisory Council (NBAC) to advise on research needs and updating of EHB.



Recommendation Overview (continued)

Updating the EHB:

- set a goal for the EHB to become more evidence-based, specific, and value-promoting over time;
- accommodate scientific advances, and lessons from implementation; and
- incorporate cost by reconciling the package to inflation adjusted premium target, reflecting what would have been paid for the current package.

Addressing health care spending so EHB are sustainable:

- develop strategy for controlling rates of growth in health care spending across both the public and private sectors to be in line with rate of growth in economy.



Defining the EHB Recommendation 1 (Step 1: making a preliminary list):

By May 1, 2012, the Secretary should establish an initial essential health benefits (EHB) package guided by a *national average premium target*.

- A. The starting point in establishing the initial EHB package should be the scope of benefits and design provided under a *typical small employer plan* in today's market. To specify the initial EHB package, this scope of benefits should then be modified to reflect
- The *10 general categories* specified in Section 1302(b)(1) of the Affordable Care Act (ACA); and
 - The *criteria* specified in this report for the content of specific components and aggregate EHB package.



Recommendation 1

(Step 2: Reconcile the list to average small employer premium)

- B. Once a preliminary EHB list is developed as described in (A), the package should be adjusted so that the *expected national average premium for a silver plan* with the EHB package is actuarially equivalent to the average premium that would have been paid by small employers in 2014 for a comparable population with a typical benefit design.



Recommendation 1

(Step 3: weigh tradeoffs through public deliberation and public discussion of actuarial expenditures for specific components)

The Secretary should sponsor a *public deliberative process* to assist in determining how the adjustments to the EHB package should be made.



Recommendation 1

(Step 4: Secretarial guidance on EHB inclusions and exclusions)

D. Initial guidance by the Secretary on the contents of the EHB package should list standard benefit inclusions and exclusions at a *level of specificity at least comparable to current best practice* in the private and public insurance market.



Learning from Implementation and Research

Recommendations 2 a and 2b on Data and Research: These stress the importance of identifying data and establishing a research infrastructure at the outset that will support updating the EHB, and assessing their impact on people, their health, and fair access.

Recommendation 3 on State Variation: This provides for an option for state-specific EHB definition when a state meets certain standards, including operating its own exchange.

Recommendation 5 on Nonpartisan External Advice: This calls for establishment of a National Benefits Advisory Council that would advise on the data and research plan, and make annual recommendations on updating the EHB and continued use of public deliberation.



Updating the EHB

Recommendation 4a on goals for EHB: This sets a goal that the EHB package, becomes more fully evidence-based, specific, and value-promoting over time; 2016 would be the first update of the EHB package.

Recommendation 4b on future cost of EHB package: This recommends that the Secretary explicitly incorporate cost into updates to the EHB package, specifically setting a target based on what it would cost to purchase the base year package in future years. Public deliberation should be used to inform inclusions or exclusions.



Sustainability

Recommendation 4c on addressing health care spending:

This recommends development of a strategy by the Secretary of HHS, working in collaboration with others such as the private sector, for controlling rates of growth in health care spending across public and private sectors in line with the rate of growth in the economy.



Access the reports and other materials

Free pdf copies of:

Essential Health Benefits: Balancing Coverage and Cost

Perspectives on Essential Health Benefits: A Workshop Report

Are available at

<http://www.iom.edu/EHB>

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