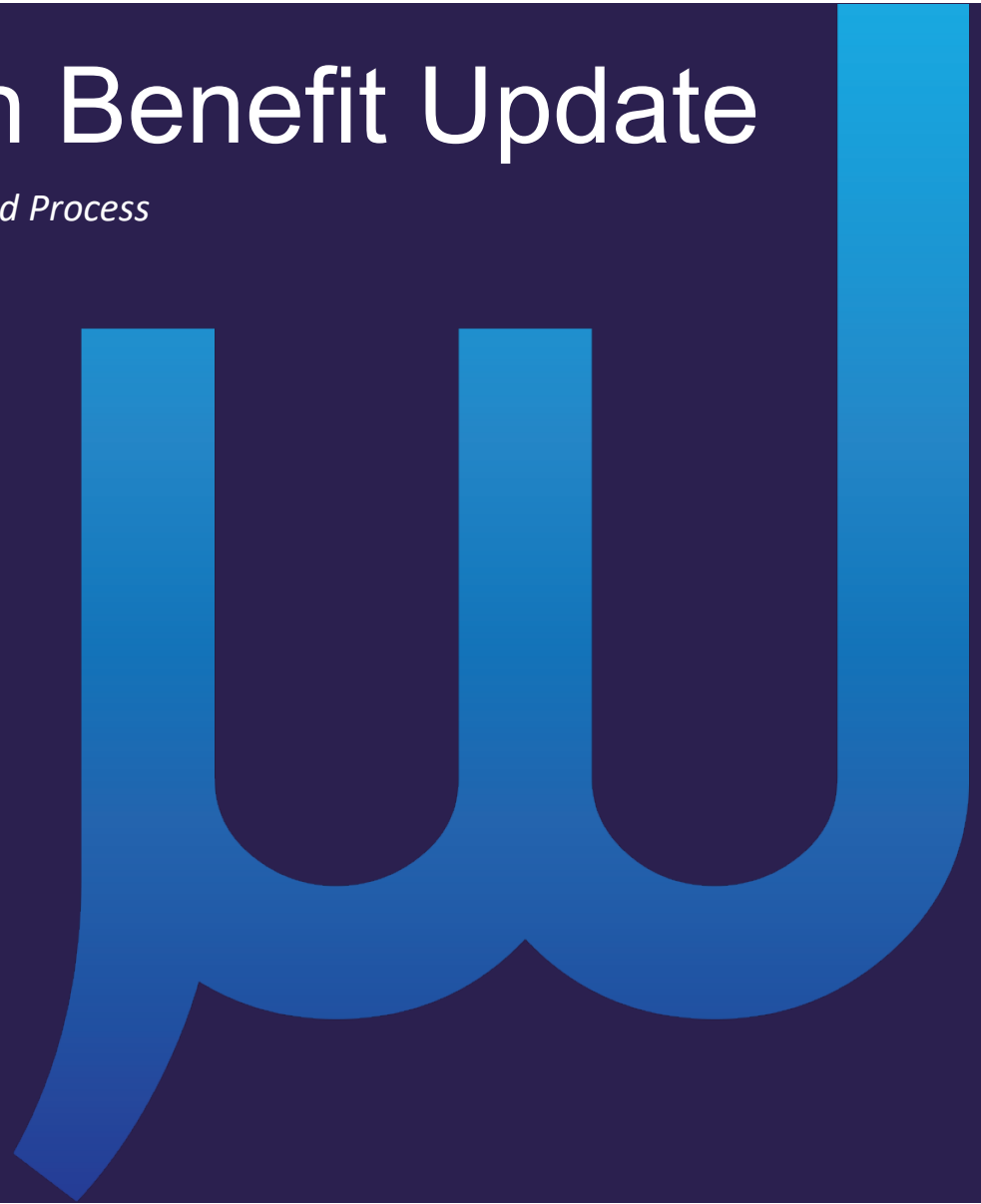
Wakely
BEYOND THE NUMBERS

Essential Health Benefit Update

EHB Benchmark Plan Application Overview and Process



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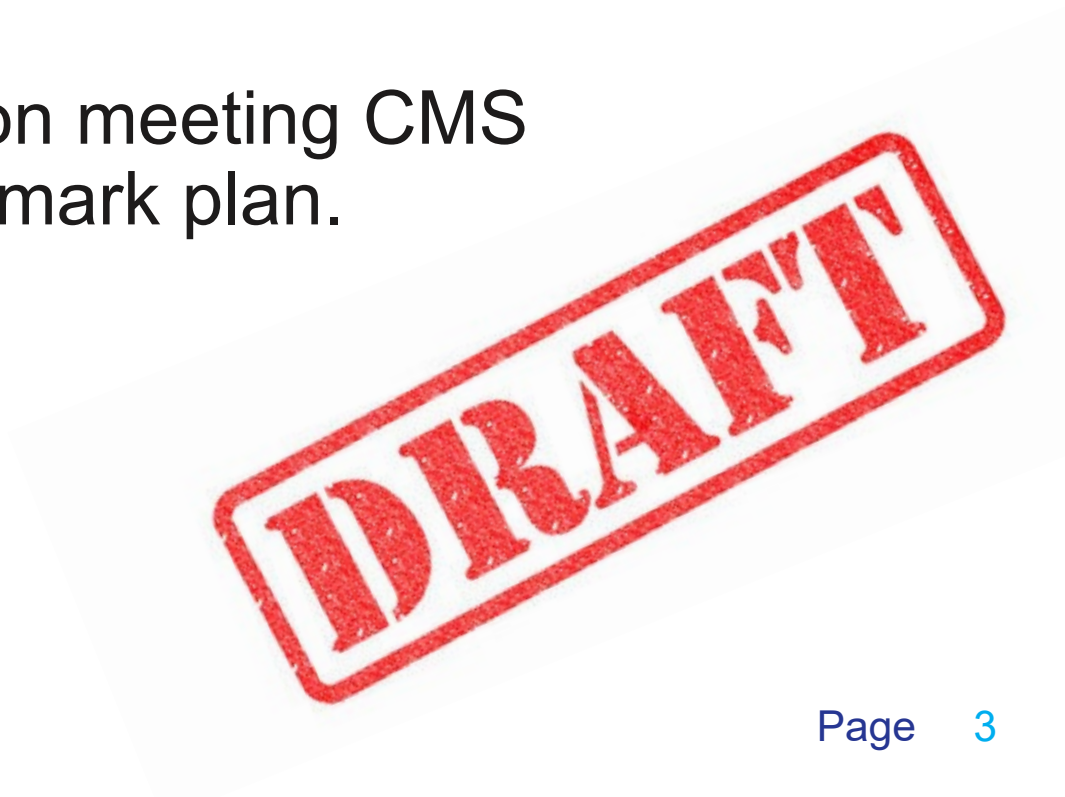
Agenda and Table of Contents

Estimates are Draft for Illustrative & Discussion Purposes

The current estimates are still being refined and peer reviewed. Estimates shown today should be considered draft for illustrative and discussion purposes only.

Additionally, the application is contingent on meeting CMS regulations after deciding on a new benchmark plan.



Essential Health Benefit Overview

Objective

Washington is pursuing a new Essential Health Benefit (EHB) Benchmark Plan (BMP) to better serve members, better align with the State's goals, and increase overall benefits.

If approved by CMS, the new EHB BMP will be effective for the 2026 plan year.

The EHB BMP affects fully-insured commercial individual and small group markets. A new EHB BMP would require insurers to update their benefits.

EHB Overview

What are EHBs?

- A set of benefits, set by the benchmark plan (BMP), that all issuers are required to cover.
- EHBs define the coverage of a benefit, not administration. Think “What” not “How.”
- Benefit administration (utilization management, cost sharing) are not governed by EHBs.

What is a Benchmark Plan?

- In order for a plan to meet EHB plan standards it must offer benefits across 10 benefit categories.
- HHS regulations define EHB based on State-specific EHB BMP.
- Washington has its own unique BMP.

Current Flexibilities

- States were given greater flexibility to revise the benchmark plan beginning with the 2020 benefit year (BY).
- As of 12/1/2023, 9 States have revised their EHB BMP, with more expected.

Project Plan

- Review WA's current EHB holistically and against other States
- Discuss with Wakely, issuers, and stakeholders
- Evaluate potential benefit additions according to *SSB 5338*
- Identify options in accordance with federal regulations
- **Define new EHB benchmark plan** *[Current Status - December 2023]*
- Submit application in April 2024, effective for the 2026 benefit year

Recently Approved EHB BMP Changes

Summary Table

Category	Themes	# of States
Drug	Opioid reversal agent (naloxone)	5
Drug	Removal of barriers to medication-assisted treatment for opioids	3
Drug	Alternatives to opioids	1
Drug	Limits opioid prescription length for acute pain	1
Drug	Anti-hepatitis C Agents	1
Medical	Mental wellness, psychiatric	3
Medical	Acupuncture	2
Medical	Chiropractic	1
Medical	Gender affirming care	1
Medical	Artery Calcification Testing	1
Medical & Drug	Weight loss for obese members	1

Recently Approved EHB BMP Changes

Detailed Table (as of 4/1/2022)

State	Category	Benefit	Allowed $	% of Allowed
CO	Adds	Acupuncture		0.08%
CO	Adds	Gender Affirming Care		0.04%
CO	Adds	Mental Wellness Exam		0.02%
CO	Adds	Expanded USP Drug Classes		0.02%
NM	Adds	Artery Calcification Testing	$0.09	0.03%
NM	Adds	Weight loss treatment for obese members	$0.05	0.02%
NM	Adds	Opioid Reversal Agents (naloxone)	$0.02	0.00%
NM	Adds	Anti-Hepatitis C Agents	$1.10	0.33%
NM	Removes	Benefit limits of prosthetics	$0.08	0.02%
IL	Adds	At least one intranasal opioid reversal agent (naloxone)		0.06%
IL	Adds	A Topical anti-inflammatory medication for acute and chronic pain		0.00%
IL	Limits	Opioid prescriptions for acute pain to no more than 7 days		0.00%
IL	Removes	Barriers to medication-assisted treatment (MAT) of opioid use disorder, such as prior authorization		0.00%
IL	Adds	telepsychiatry care		0.01%
MI	Adds	At least one intranasal opioid reversal agent (naloxone)	$0.00 - $1.73	
MI	Removes	Barriers to medication-assisted treatment (MAT) of opioid use disorder, such as prior authorization	$0.00	
OR	Adds	Up to 20 spinal manipulation visits per year	$1.89	
OR	Adds	Up to 12 acupuncture visits per year	$0.95	
OR	Adds	At least one intranasal opioid reversal agent (naloxone)	$0.00	
OR	Removes	Barriers to medication-assisted treatment (MAT) of opioid use disorder, such as prior authorization	$0.00	
SD	Adds	Applied Behavioral Analysis for the treatment of ASD (Autism Spectrum Disorder)		0.30%

Federal Regulations

Federal Regulations

- States may select a new EHB BMP beginning on or after 2020 BY using the process described at 45 CFR 156.111.
- May 2024 application deadline for BY 2026.
- CMS must approve any changes EHB BMP.
- BMP cannot contain any:
  - Lifetime or annual limits or maximum dollars.
  - Discriminatory benefits. E.g., foot care for diabetics revises to foot care as medically necessary.

Federal Regulations

Typicality and Generosity Tests

- There are two actuarial requirements a proposed benchmark plan must meet, the typicality test and generosity test. The benefit plans that can be used for each test are defined by federal regulations.

- Generosity Test - Ensure the new EHB-benchmark plan does not exceed the generosity of the most generous among a set of comparison plans. Exceeding the most generous plan is defined as anything above 0.0% beyond the most generous plan.

- Typicality Test - Provide a scope of benefits in the new EHB-benchmark plan that are equal to the scope of benefits provided under a typical employer plan selected by the state.

Generosity Test

Plan Comparisons

Generosity Test

Comparison of Benefits

1. Identify and gather plan documents for eligible comparison plans for use in CMS testing.

2. Compare benefits between current benchmark plan and plans used for Generosity testing.

3. Determine total benefit difference; the comparison plan with the richest benefits (assuming richer than the current benchmark) dictates the “room” available to modify benefits (Generosity test).

Plan Comparisons

Generosity Test

1. Plans eligible for the generosity test are defined by federal regulations.

2. The PEBB was identified as the richest of all options for the generosity test.

3. The PEBB effectively places a ceiling on how rich total benefits can be for the new benchmark plan under current Federal regulations.

Plan Comparisons

Claim and Premium Impact Considerations

- EHB regulations focus on the change in allowed costs (insurer paid plus member cost share) but the impact to premium is also important for consumers.
- Wakely estimated the impacts using proprietary ACA data sets. Washington issuer input, additional commercial data, and, where necessary, public sources, were also used to assess reasonability or where benefits were not credible in the ACA data.
- Key considerations for the allowed cost included in the analysis
  - The estimates are based on ongoing costs. Any pent-up demand that may occur in the initial years of coverage is not incorporated.
  - The estimates only include the cost of the specific benefits being considered, and downstream impacts (e.g., maternity costs for infertility, potential savings from increased well-being from having hearing aids) are not included.
- Actual impacts included in future premiums by the issuers may vary, potentially significantly, based on the above considerations as well as each issuer's underlying data, assumptions, and fixed administrative costs.

Generosity Test

Primary Differences between Benchmark and PEBB

Benefit	Current Benchmark Plan	PEBB (Most Generous)	Range of Allowed Cost - BMP Relative to PEBB
Home Health Care Services	130 visits/year	No Limit	0.00% to -0.02%
Acupuncture	12 Visit(s) per Year	8 visits/yr	0.01% to 0.02%
Naturopath	Not Covered	3 visits/yr	-0.04% to -0.09%
Bariatric Surgery	Not Covered	Once every 10 years	-0.01% to -0.04%
PT / OT / ST / Massage	25/year Combined	60 visits/yr Combined	-0.21% to -0.40%
Habilitative Services	IP 30 OP 25 visits/yr	60 visits/yr	0.00% to -0.01%
Cardiac rehabilitative therapy visits	Covered	Not Covered	0.02% to 0.04%
Hearing Aids	Not Covered	Once every 3 years	-0.04% to -0.12%
Routine hearing exams	Not Covered	Covered	0.00% to -0.01%
All other benefit differences			0.00% to 0.00%
Total (%)			**-0.28% to -0.63%**
Total (PMPM $)			**-$1.98 to -$4.51**

- Cost estimates are a percentage of total allowed costs
- All pricing estimates in the analysis are based on the ongoing cost of the services. Neither downstream costs (e.g. maternity costs for infertility) nor pent up demand costs are included. Totals may not add due to rounding.
- *PMPM ranges were calculated assuming a total allowed Medical and Rx cost of ~$700 PMPM.

Benefit Pricing & EHB Pathways

Additions to Benchmark Plan

Benefit Pricing & Selection

Changes to EHB

Benefit Selection Process

1. SSB 5338 set forth a list of benefits that should be considered.
2. RCW 48.43.715 mandated Human Donor Milk and a Hearing Benefit be added to any new BMP, pursuant with the standards outlined in 48.43.815 and 48.43.135, respectively.
3. Benefits were priced based on our understanding of the benefit and current coverage. In all cases, a range was provided.
4. Benefit additions must comply with generosity and typicality tests.
5. Ultimately, the premium impact of the changes will vary based on insurer pricing, cost sharing of the benefits, and changes, if any, to administrative costs due to the changes.

https://app.leg.wa.gov/rcw/default.aspx?cite=48.43.715

Benefit Pricing

Description and Cost of Benefits

Benefit	Notes	Costs as a percent of total allowed costs
Human Donor Milk	Human milk when infant is unable to receive maternal milk or whose parent is unable to produce maternal human milk in sufficient quantities or caloric density. Additional criteria apply (see bill).	0.01% to 0.05%
Hearing Exam and Hearing Aids	Hearing exam and hearing aids each ear every three years.	0.04% to 0.12%
Artificial Insemination	Artificial insemination in vivo.	0.01% to 0.02%
IVF	In vitro fertilization including medication, one extraction, fertilization, culture, preservation, and up to 3 transfers.	0.60% to 1.10%
Treatment for Pediatric Acute-onset Neuropsychiatric Syndrome and Pediatric Autoimmune Neuropsychiatric Disorders Associated with Streptococcal Infections	Potentially covered when medically necessary in accordance with best practices. Additional information on benefit coverage and potential gaps may be needed.	N/A
Biomarker testing	Identified to be covered when medically necessary in accordance with best practices.	N/A
Contralateral prophylactic mastectomies	Identified to be covered when medically necessary in accordance with best practices.	N/A
Magnetic resonance imaging for breast cancer screening	Identified to be covered when medically necessary in accordance with best practices.	N/A

New Benchmark Pathways

Cost of Additional Benefits

- Human donor milk and a hearing benefit are required to be added in any new benchmark plan.
- There is potentially an additional 0.11% to 0.58% still available after adding these benefits.
- An IVF benefit is unlikely to fit within the generosity test allowance.

Benefit	Price Range
Donor Human Milk	0.01% to 0.05%
Hearing Exam and Hearing Aids	0.04% to 0.12%
1: Required EHB Additions	**0.05% to 0.17%**
2: Room in Generosity Test	0.28% to 0.63%
3 = 2 - 1: Remaining Room	**0.11% to 0.58%**
4: - IVF	0.60% to 1.10%
5: - Artificial Insemination	0.01% to 0.02%

Pathway Options
Option A: Donor Milk & Hearing Benefit
Option B: Donor Milk, Hearing, & AI
Likely unable to add IVF since option A is required, and leaves insufficient room

All pricing estimates in the analysis are based on the ongoing cost of the services. Neither downstream costs (e.g. maternity costs for infertility) nor pent up demand costs are included. Totals may not add due to rounding.

Human Donor Milk
Benefit Pricing

Benefit Definition

- Coverage for medically necessary donor human milk **for inpatient use** for an infant who is medically or physically unable to receive maternal human milk or participate in chest feeding or whose parent is medically or physically unable to produce maternal human milk in sufficient quantities or density.
- Must meet criteria such as low birth weight, less than 34-week gestational age, or a variety of other criteria.

Background

- Additional details provided in 48.43.820.
- Inpatient use limitation impacts price notably.

Hearing Aids & Exams
Benefit Pricing

Benefit Definition
- Hearing exams and hearing aids for adults and children.
- Hearing aids are limited to one per ear every three years.

Background
- Adult hearing benefits for adults are not prevalent in the ACA markets, with only 12 states explicitly requiring adult hearing aids to be offered. However, more than half of states require coverage for children. Given discriminatory requirements, many states who only covered child hearing aids, are now also covering adults under the benefit (not a change to EHB when done for discriminatory design purposes).
- While significant variation exists in services covered, limits, and cost-sharing, the most common offering is covering hearing aids every 36 months.
- **Under current federal regulations, annual or lifetime dollar limits are not allowed on EHB benefits.***

*https://www.ecfr.gov/current/title-45/subtitle-A/subchapter-B/part-147/section-147.126

Fertility Services

Benefit Pricing & Considerations

In Vitro Fertilization (IVF) – 0.60% to 1.10%

- Unlikely to be added to benchmark due to high cost and limitations of Generosity test.
- Priced three cycles of in-vitro fertilization, including evaluation, counseling, egg preservation, and other related services.
- Majority of costs is in the preliminary fertility drugs and extraction. Preservation and fertilization are lower in costs.
- How a “cycle” is defined may alter the comparison - need to define exactly what constitutes a cycle.

Artificial Insemination – 0.01% to 0.02%

- Lower price than IVF due to availability and price of sperm, as well as lower or non-existent drug costs.

Benefit Considerations

- Increased claim cost related to additional maternity cycles.
- Improved mental wellbeing for affected members.
- Improved support for organic state population growth.

Figures from Milliman’s study were used to assess the reasonability of Wakely’s estimates:
https://www.insurance.wa.gov/sites/default/files/documents/2023fertility-treatment-cost-analysis-report.pdf

Next Steps

Next Steps

Finalize Benchmark and CMS Testing

1. **December** – Decide on benefits to add to benchmark
2. **January** – Generosity Test: Finalize pricing and ensure benefits being added are compliant
3. **January** – Typicality Test: Identify comparison benchmark plan exactly equal to proposed benchmark plan

Submission

1. **February** – Draft Report
2. **April** – Public comment period
3. **May** – Official Submission

2025 Proposed NPBB Changes Effective BY2027

Proposed Changes to the EHB Selection and Application Process

PROPOSED Federal Regulation Changes Effective BY2027

Goal: reduce the burden of the EHB-benchmark plan update process

- As part of the 2025 Proposed Noticed of Benefit and Payment Parameters, HHS proposes several key changes to the EHB-benchmark plan update process.
- Revisions to EHB selection process (effective for the 2027 benefit year):
  - Remove the current generosity test requirement.
  - Revise typicality standard in 156.11(b)(2): New EHB-benchmark plan provides a scope of benefits that is **as or more generous than the scope of benefits in the state's least generous typical employer plan**, and **as or less generous than the scope of benefits in the state's most generous typical employer plan.**
  - Large Group plan changes over time can be captured.
- Remove need to submit formulary unless explicitly changing formulary.

PROPOSED Federal Regulation Changes Effective BY2027 (cont.)

Goal: reduce the burden of the EHB-benchmark plan update process

- Other changes HHS proposes may increase the generosity of a typical employer plan (i.e., additional room to add benefits).
  - Remove the prohibition on including routine non-pediatric dental services (i.e., states can now add adult dental as an EHB).
  - Prescription drugs in excess of the benchmark are now considered EHB.
  - Allow newer Large group plans to be included as a comparison plan.

PROPOSED Federal Regulation Changes - Considerations

Benefits and implications of waiting until 2027

- Benefits of waiting to change the State's EHB
  - Proposed changes may increase the "room" to add benefits (generosity test).
    - Note adult dental is in current "generosity test plan" but as standalone plan
    - Note if additional room not needed than this would not have an impact.
  - Proposed changes may make submission easier/more likely to be approved.

- Risks/Drawback
  - No guarantees the rule will be finalized as proposed or not changed in the future.
  - Premium affordability: Adding additional benefits (e.g., dental benefits) could increase premiums substantially, especially if IRA subsidies not renewed.
  - Would not go into effect until benefit year 2027, a year after the current timeline.

Questions?

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Disclosures and Limitations

Disclosures and Limitations

- **Responsible Actuaries.** Julie Peper and Matt Sauter are the actuaries responsible for this document. Julie is a Fellow of the Society of Actuaries and Matt is an Associate of the Society of Actuaries. Both Julie and Matt are Members of the American Academy of Actuaries. They meet the Qualification Standards of the American Academy of Actuaries to issue this document.
- **Intended Users.** This information has been prepared for the sole use of the Washington OIC. Distribution to parties should be made in its entirety and should be evaluated only by qualified users. The parties receiving this document should retain their own actuarial experts in interpreting results.
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- **Data and Reliance.** The current cost estimates rely on available data including Wakely's proprietary ACA data set, Large Group data, WA stakeholder insight, online publications, and third party subject matter experts. As such, we have relied on others for data and assumptions used in the assignment. We have reviewed the data for reasonableness, but have not performed any independent audit or otherwise verified the accuracy of the data/information. If the underlying information is incomplete or inaccurate, our estimates may be impacted, potentially significantly.
- **Subsequent Events.** These analyses are based on the implicit assumption that the ACA will continue to be in effect in future years with no material change. Material changes in state or federal laws regarding health benefit plans may have a material impact on the results included in this report. Material changes as a result of Federal or state regulations may also have a material impact on the results. There are no specifically known relevant events subsequent to the date of engagement that would impact the results of this document.
- **Contents of Actuarial Report.** This document is not an actuarial report and does not comply with Actuarial Standards of Practice on communication. Once the analysis is complete, a full report will be provided the lists all data and assumptions used in the comparison of benefits for purposes of supporting EHB changes to CMS.

Appendix

Useful Links and Regulations

Links & Resources

- CMS EHB Reference Page
  https://www.cms.gov/CCIIO/Resources/Data-Resources/ehb

- CMS' EHB Process Overview (February 2021)
  https://www.regtap.info/uploads/library/PMSC_Slides_022421_5CR_022421.pdf

Federal Regulations

Typicality Test

- Step 1 – Select a typical employer plan among the options at §156.111(b)(2)(i): One of the state's 10 base-benchmark plans or one of the five largest group plans

- Step 2 – Calculate the expected value of covering all of the benefits at 100 percent actuarial value in the proposed EHB-benchmark plan and in the typical employer plan, including any necessary supplementation

- Step 3 – Compare the expected value of covering all of the benefits (at 100 percent actuarial value) in the typical employer plan to that of the state's proposed EHB-benchmark plan

Federal Regulations

Generosity Test

- Step 1 – Determine the most generous plan among this set of comparison plans
- Step 2 – Calculate the expected value of covering all of the benefits at 100 percent actuarial value in the proposed EHB-benchmark plan and in the most generous plan among the set of comparison plans, including any necessary supplementation
- Step 3 – Compare the expected value of covering all of the benefits (at 100 percent actuarial value) in the most generous plan among the set of comparison plans to that of the proposed state's EHB-benchmark plan