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President of CHOICE Administrators Exchange Solutions Discusses Key Issues for State Policymakers Relative to “Essential Health Benefits”

Important Podcast for Industry Leaders Outlines Questions, Concerns and Ramifications of the “Essential Health Benefits” Component of Healthcare Reform

(ORANGE, CA – December 14, 2011) — Kevin Counihan, president of [CHOICE Administrators Exchange Solutions](#), yesterday outlined the key issues state policymakers need to consider in evaluating the impact of Essential Health Benefits (EHB). Counihan’s remarks were shared in a podcast attended by industry leaders and was an outgrowth of a white paper – “Essential Health Benefits: Key Issues for States” – issued last month by CHOICE Administrators Exchange Solutions. The podcast can still be heard at www.blogtalkradio.com/xeroxradio/2011/12/13/essential-health-benefits-opportunities-for-state-influence-1 and the white paper is available at www.choiceadminexchanges.com.

One of the most significant elements of the Patient Protection and Affordable Care Act (PPACA) is the authority given to the Secretary of Health and Human Services (HHS) to define the EHB package health insurance plans must offer if they are to participate in their state’s health insurance exchange (the PPACA requires every state to establish and launch a [health insurance exchange](#) by January 1, 2014, or default to a federal fallback program). These benefits will cover at least ten general categories of preventive, diagnostic and therapeutic services, which HHS defines as “essential” and “equal to the scope of benefits provided under a typical employer plan.”

According to Counihan, the role of the federal government in defining minimum standards for health insurance coverage raises many issues for states to consider. These include the dilution of state authority, the impact of EHB on large group plans, the absence of guidance for benefit exclusions, and the impact on medical trends, along with a host of policy decisions that state regulators and policymakers will now need to consider.

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“The federal government’s new level of involvement fundamentally changes the existing health insurance market in most states and dilutes the authority states have traditionally had in regulating individual and group insurance coverage and in determining covered and mandated benefits,” said Counihan. “State regulators and policymakers would be wise to carefully analyze the influence of EHB on its benefit mandates as well as the financial and policy considerations on coverage provided both inside and outside the state insurance exchange.”

One example of this, according to Counihan, is the effect medical inflation trend will have on premium costs, which Counihan believes could have a significant impact on the states. “The PPACA essentially limits how much low- to moderate-income individuals pay for coverage with the provision that if premium costs exceed this limit, tax credits and subsidies will make up the difference,” explains Counihan. “But unless the limits for low- and moderate-income individuals rise with medical inflation, medical-trend increases will be essentially born by the federal government and the states that would need to subsidize cost mandates that exceed EHB for individuals receiving tax credits. It is critically important that states be aware and prepare for this scenario.”

Counihan also told podcast participants that EHB’s effect may extend beyond the establishment of state health insurance exchanges and could ultimately affect all health insurance policies in a state. “While states will continue to have the option to enact benefit mandates for health insurance policies sold outside of the exchange, it is likely that states will cede this responsibility to HHS via the definition of EHB,” he says. “Otherwise, those individuals and small businesses with higher utilization of services will seek out richer policies outside the exchange. This would cause an unbalanced risk pool between members of the exchange and those purchasing outside the exchange. If that happens, insurers would likely raise rates for non-exchange policies causing a potential “death spiral” of disproportionate utilization and premium increases between policies written inside and outside of the exchange.”

[CHOICE Administrators Exchange Solutions](#) is a division of *CHOICE* Administrators and part of The Word & Brown Companies, the nation’s leading developer and administrator of consumer-choice exchange models. Among the exchanges currently operated by *CHOICE* Administrators are the California*Choice*[®] small group (2-50 employees) and mid-market (51-199 employees) private exchanges; HSA California; Choice Builder, the nation’s first ancillary benefit exchange; and Quotit, one of the nation’s largest individual/family proposal and online

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