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**New White Paper from CHOICE Administrators Exchange Solutions
Discusses “Essential Health Benefits” Component of Health Reform**

(ORANGE, CA – November 28, 2011) — [CHOICE Administrators Exchange Solutions](#), the nation’s leader in developing and administering health insurance exchange programs, today issued an important white paper designed to help states nationwide better understand and analyze the “essential health benefits” component contained in healthcare reform.

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 “essential health benefits” (EHB) package health insurance plans must offer if they are to participate in their state’s [health insurance exchange](#). These benefits will cover a specific level of preventive, diagnostic and therapeutic services which HHS defines as “essential” and “equal to the scope of benefits provided under a typical employer plan.”

“Traditionally, states have overseen much of the regulation of individual and group insurance coverage and have had the independence to determine covered benefits and oversee mandated benefits for such policies,” said Kevin Counihan, president of *CHOICE* Administrators Exchange Solutions. “This changes under healthcare reform, making it essential that states understand the ramifications of PPACA and the decisions made by HHS.”

The white paper issued today by [CHOICE Administrators Exchange Solutions](#) provides context on EHB, summarizes key recommendations made to HHS by the Institute of Medicine, and outlines key issues impacting state policymakers.

The PPACA fundamentally changes the existing health insurance market in most states by eliminating pre-existing conditions; coverage rescission; or premium variance other than for such factors as age, family size, geography and tobacco usage. The act also requires that EHB include at least 10 general categories of services: ambulatory patient services; emergency services; hospitalization; maternity and newborn care; mental health and substance abuse

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services; pharmacy; rehabilitative services and devices; laboratory services; and preventive and wellness services including chronic disease management and pediatric services, including oral and vision care.

“The role of the federal government in defining minimum standards for health insurance coverage dilutes an individual state’s authority and raises important fundamental issues,” says Counihan. “There are key issues surrounding the absence of guidance for benefit exclusions, how large groups may be affected, and the impact of medical trend. As a result, state regulators and policymakers need to carefully analyze the influence of EHB on its benefit mandates and the financial and policy considerations on coverage provided both inside and outside the state insurance exchange.”

Counihan points out 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.”

The white paper, entitled “[Essential Health Benefits: Key Issues for States](#),” is available at www.choicexchange.com. Also found on that site is a white paper issued by *CHOICE Administrators Exchange Solutions* in June entitled “State-Based Health Reform: A Seven-Step Strategy,” which offers states a strategy they can follow to develop a health insurance exchange that fulfills federal requirements while responding to the needs of their individual citizenry.

A key part of PPACA is the requirement that every state establishes a health insurance exchange by January 1, 2014, or default to a federal fallback program. These exchanges will create an online one-stop shopping mall where consumers can review competing health insurance plans side by side and compare benefits, costs, provider networks and other features. The Congressional Budget Office estimates eight million people will use the exchanges in 2014, with participation tripling by 2018.

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