

CIGNA supports choice, transparency and quality in order to expand access to care, improve health and provide affordable and sustainable coverage. We believe aligning incentives among employers, individuals and health care professionals is essential to establishing a more cost-effective system that rewards outcomes, quality and health improvement.

# Essential Health Benefits

## Provision

Fully insured small group and individual health plans must cover “essential health benefits” by 2014. While certain categories have been defined, we are awaiting guidance from the U.S. Department of Health and Human Services on the benefits that will be included.

Large group plans will be affected by what’s included since any benefit defined as an essential health benefit must be covered with no annual or lifetime maximums. Exchanges will also be impacted since exchange plans must cover all essential health benefits.

### CIGNA’s Position on Essential Health Benefits

The Patient Protection and Affordable Care Act (PPACA) defines a list of benefit categories that must be included as essential health benefits. It also mandates that essential health benefits be “equal to the scope of benefits provided under a typical employer plan.”

To achieve health care reform’s goals of enhancing access, providing affordable coverage and improving health for all Americans, CIGNA supports a definition of essential health benefits that reflects the following principles:

- Align with current small group employer plans absent state mandates. Small group plans typically cover acute, catastrophic, life-saving care as well as preventive, rehabilitative and chronic care while excluding benefits beyond these. Adding unlimited benefits for services that are currently excluded or covered with limits under small group employer plans could increase premiums by up to 19%.
- Allow limits (e.g. visits/dollar) for certain non-life-saving services such as physical therapy, prosthetics and durable medical equipment. For example, many plans limit physical therapy to 30 visits per year because research shows that limit meets the needs of 96% of patients.
- Essential health benefits should apply to in-network only; assuming network adequacy standards are met.
- Allow maximum flexibility in plan design by offering choices among benefit levels as well as cost-sharing (e.g., premiums, copays, coinsurance and deductibles).
- Allow flexibility of plan design to apply Value-Based Insurance Designs (VBIDs) that use research and clinical guidelines to promote better health, manage chronic conditions and target populations with specific health needs.
- Exclude services that are purely life-enhancing such as lifestyle drugs and cosmetic procedures.

A well-defined, federally mandated definition of essential health benefits will ensure consistency across states and provide administrative ease.



## Applying the Essential Health Benefits to Exchanges

While all exchange plans must cover essential health benefits, consumers must choose what cost-sharing level and additional benefits they want and can afford. Here is how essential health benefits could be applied in an exchange to provide choice while keeping health coverage affordable:

- All plans would cover essential health benefits.
- Carriers could offer plans that also include non-essential benefits, services and programs to meet the needs of various buyers.
- The percentage of full actuarial value of essential health benefits will define whether a plan is bronze, silver, gold or platinum.
- **Only** essential health benefits would be used to calculate the full actuarial value of a plan and **only** essential health benefits would apply to cost share limits to ensure that plans do not substitute non-essential benefits for essential benefits.
- Consumers will make choices between benefit design, cost-sharing and the affordability of the premiums.

Benefits and Coverage	Benefit Tier	Benefit Coverage	EHB* Actuarial Value	Premiums	Consumer Cost Sharing
<p>Carriers can design plans that include certain non-essential benefits, services and programs to encourage healthy behaviors and meet the needs of various buyers.</p> <p>The combination of varying benefit designs and cost sharing is similar in concept to Medicare Advantage plans.</p> <p>All plans will cover essential health benefits.</p>	Platinum	Higher	90%	Higher	Lower
	Gold	↑	80%	↑	↓
	Silver		70%		
	Bronze	Lower	60%	Lower	Higher

\* Essential Health Benefits

## Impact

If essential health benefits are defined appropriately, exchanges will be able to offer a variety of affordable plans and more people will buy coverage on the exchange, thus decreasing the number of uninsured and increasing the size of the exchange risk pool – which further reduces costs.

If essential health benefits are defined too broadly or too vaguely, costs will increase and employers could drop coverage. In addition, some individuals may find it more affordable to pay the penalty rather than purchase coverage if they do not qualify for a subsidy.

## Stakeholder Implications

<b>Employers</b>	If essential health benefits are defined too broadly, the low employer penalty and availability of employee subsidies may incent employers to drop coverage. A narrower definition would encourage more employers to continue offering health benefits.
<b>Brokers</b>	The definition of essential health benefits will influence the range of plans available. This may change brokers' roles and create both new challenges and new opportunities.
<b>Insurers</b>	Insurers price their products based on the benefits included, and a broader definition of essential health benefits will increase costs across the board.
<b>Consumers</b>	If essential health benefits are defined in a way that makes health care affordable, more consumers will purchase coverage and the number of uninsured will decrease.
<b>Health Care Professionals</b>	A broad definition of essential health benefits could lead to overutilization of services and higher costs.
<b>Federal and State Governments</b>	Federal subsidy costs will be higher if essential health benefits are defined broadly. States will pick up the cost if they impose mandates beyond the Federal definition.



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