CA Essential Health Benefits

ESSENTIAL HEALTH BENEFIT ANALYSIS & BENEFIT OPTIONS

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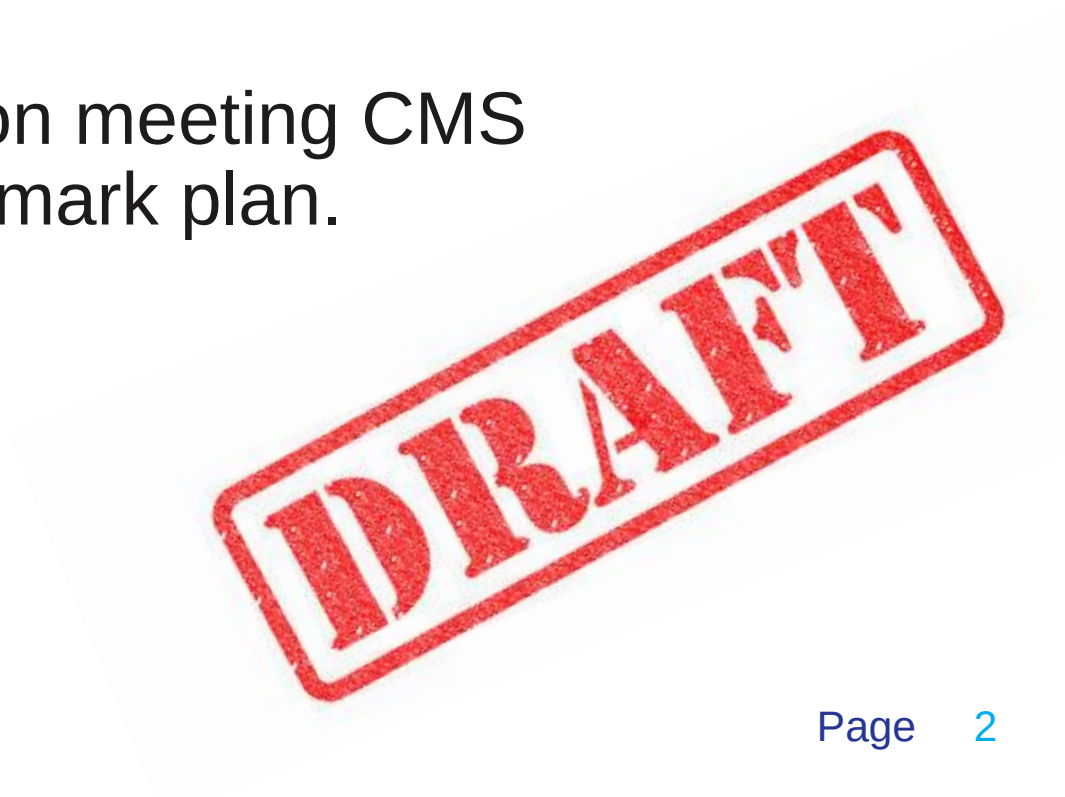
Going Beyond the Numbers

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.



Federal Regulations

Federal Regulations

- Under 45 CFR 156.111 states may select a new EHB-benchmark plan (BMP) for 2020 BY or later (finalized in 2019 NBPP) using one of 3 options:
  - Select an EHB-benchmark that another plan used for the 2017 BY
  - Replace one or more categories of EHB with another 2017 BY BMP
  - Select a new set of benefits to become the state's EHB-benchmark plan, provided certain conditions are met. **To date, states have only used this option.**
- Applications for EHB BMP changes effective BY 2027 are due May 2025. States must:
  - Provide reasonable public comment period (2 weeks minimum).
  - Submit supporting documentation.
  - Fulfill typicality test standard (more on next slide).
- 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.
- CMS must approve any changes to the EHB BMP.

Typicality Test Standard

- New EHB-benchmark plan must provide 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.
- **Step 1 – Plan Comparisons**
  - Identify and gather plan documents for eligible comparison plans for use in CMS testing. These options include:
    - One of the state's 10 base-benchmark plan options established at 156.100 from which the state was able to select for the 2017 plan year; or
    - One of the five largest group plans provided the plans meet certain requirements like benefits in the plan are from a plan year beginning after December 31, 2013
  - Determine the least and most generous plans among that group.
- **Step 2 – Determine the "Room" to Add/Remove Benefits**
  - Calculate the expected value of covering all of the benefits at 100 percent actuarial value in the proposed EHB-benchmark plan and the two comparison plans.
  - Where the current benchmark falls in that range determines the room to add or remove benefits from the BMP.
- **Step 3 – Compare the Comparison Plans to the Proposed Benchmark**
  - Determine the expected value of the new benchmark plan and confirm it falls in the typicality range.

Typicality Test

Determining the Most Generous Plan

- Compare the 10 base-benchmark plan options (including the current EHB benchmark plan) with respect to ~100 benefits.
- Identify benefits where offerings differ between the 10 plans and determine an allowed cost of each offering.
- The plan with the largest allowed cost total is the most generous plan.
- Kaiser Large Group Traditional Plan for the University of California was deemed the most generous plan. Key drivers of this are:
  - Coverage of infertility services (diagnosis, AI, IVF, etc.)
  - Rich DME coverage
  - Hearing aid coverage
  - Chiropractic care coverage

Benefit Pricing and Benefit Options

Benefit Pricing & Selection

Changes to EHB

- Wakely evaluated the value of each benefit being considered for inclusion in the 2027 benchmark plan.
- Benefits priced using ACA data, publicly available data, CA issuer input, and actuarial judgement.
- Compare newly proposed benchmark plan options against typicality test for compliance.
- If the new proposed benchmark plan is less rich than the value of the typicality test, the proposed benchmark plan is a valid option.

Benefit Pricing & Selection

Claim and Premium Impact Considerations

- EHB regulations focus on the change in allowed costs (plan paid plus member cost share) but the impact to premium is also important for consumers.
- 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.
- Ultimately, the premium impact of the changes will vary based on plan pricing, cost sharing of the benefits, and changes, if any, to administrative costs due to the changes.

Data Sources and Methods

Data sources used for typicality test and new benefit cost estimates

- Proprietary Data
  - Wakely ACA Database (WACA)
  - Large Group data used for reasonability checks
  - Used for benefits where insurer covered data is readily available (e.g., chiropractic care, acupuncture, hearing aids)
- Public Data
  - Statistics from relevant organizations and advocacy groups (e.g., Reproductive Gynecology & Infertility Organizations, sperm banks and fertility clinics, census data, Augmentative and Alternative Communication (USSAAC))
  - Used where insufficient ACA data was available or to support ranges (e.g., IVF and DME)
- Industry Research
  - Reports from the National Council on Aging (NCOA), National Library of Medicine (NLM), Centers for Disease Control (CDC), among others.
  - Referenced other states' EHB analyses and other independent studies
  - Used where insufficient ACA data was available and to support ranges (e.g., IVF and DME)
- Actuarial judgement

Typicality Test

Determine net benefit richness available within regulations

Benefit	Current Benchmark Plan	Kaiser Traditional Plan for University of California (Most Generous Plan)	Allowed Cost: % of Total Allowed	Allowed Cost: Estimated $ PMPM
Acupuncture	Covered	Covered up to 24 visits (Acupuncture & Chiro)	-0.09% to -0.13%	-$0.58 to -$0.84
Chiropractic Care	Not Covered	Covered up to 24 visits (Acupuncture & Chiro)	0.31% to 0.71%	$2.05 to $4.70
Infertility Diagnosis	Not Covered	Covered	0.01% to 0.03%	$0.07 to $0.21
Infertility Artificial Insemination	Not Covered	Covered	0.01% to 0.03%	$0.07 to $0.20
IVF + Other ART (IVF + GIFT + ZIFT + drugs)	Not Covered	Covered	0.37% to 0.61%	$2.44 to $4.01
Durable Medical Equipment	Partially Covered	Covered	0.33% to 0.77%	$2.20 to $5.07
Hearing Aids	Not Covered	Specific Allowance Every 3 Years	0.11% to 0.21%	$0.76 to $1.42
Total			**1.06% to 2.23%**	**$7.01 to $14.77**

New Benefits

Description and Cost of Potential Benefits

Proposed benefits to add to current benchmark plan:

Benefit	Benefit Description	Allowed Cost: Percent of Total Allowed
Hearing Exam & Hearing Aids	Annual hearing exam and hearing aids each ear every three years	0.11% to 0.21%
Durable Medical Equipment (DME)	Newly covered benefits are listed on the next slide.	0.42% to 1.16%
Wigs	One wig covered per year.	0.09% to 0.70%
Chiropractic Care	10 visits covered per year.	0.37% to 0.47%
Infertility Diagnosis		0.01% to 0.03%
Infertility Artificial Insemination		0.01% to 0.03%
Infertility IVF Cycle	Three potential pathways were modeled. Options are described on subsequent slides.	0.61% to 0.87%
Total Benefit Cost		**1.63% to 3.48%**
Typicality Test Room to Add Benefits		**1.06% to 2.23%**
Remaining Room		**-0.57% to -1.25%**

Adult Dental Benefits

Adult Dental is too costly to fit within the allowed cost range.

Allowed Cost Range: 1.26% - 1.83%	Allowed Cost Range: 2.6% - 4.6%
Preventive Services Only	**All Adult Dental Services**
Oral Exams 2x/year	All Preventive Services, plus:
Full mouth radiographs every 3 years; X-rays 2x/year	Class B (endodontics, periodontics, oral surgery)
Prophylaxis 2x/year	Class C (prosthodontics, crowns, root canals, etc.)
Emergency services to treat/relieve pain and infection	Class D (orthodontics)

Durable Medical Equipment Benefit Additions

The following benefits are being considered as additions to the BMP

DME Category	Allowed Cost
General DME	
Wheelchairs	0.04% to 0.11%
Portable Oxygen	0.01% to 0.01%
CPAP Machines	0.26% to 0.50%
Walkers	0.01% to 0.01%
Scooters	0.02% to 0.09%
Hospital Beds	0.01% to 0.03%
Augmented Communication Devices	
High Tech	0.04% to 0.11%
Other	0.05% to 0.15%
Neuromodulators	
tDCS	0.00% to 0.00%
tPEMF	0.02% to 0.08%
TENS	0.02% to 0.04%
Total	**0.42% to 1.16%**

In Vitro Fertilization (IVF) Cycle Benefit Additions

Three potential pathways were modeled for IVF

IVF Pricing Table	A	B	C
Fertility Drugs, Extraction, and Fertilization			
Drugs, Extractions, Creation of Embryos (Fertilization), Pre-Transfer Testing	2	2	3
Embryo Preservation			
Cryopreservation & Storage (Time Period Covered)	6 months	6 months	2 years
Embryo Transfers			
Transfers (# Covered Total)	2	8	Unlimited
Other Misc. Benefits			
Cryopreservation & Storage of Eggs and Sperm (Time Period Covered)		6 months	Unlimited
Donor Sperm (# Vials)		2	2
Donor Eggs (# Eggs)		4	10
Surrogacy*			
Health Testing of Surrogate			3
Surrogacy Coverage (for all IVF Coverages Selected)			Y

Estimated Cost as a % of Allowed Dollars	**0.61%**	**0.68%**	**0.87%**

**IVF medical care (as described above) for surrogate is included but payment to the surrogate for carrying the baby is not a covered benefit. Includes cost of health testing to the surrogate for the number of testing rounds specified. Tests include a blood screening panel, a medical evaluation, and a psychiatric evaluation. Outside of the testing costs, the unit cost of surrogacy is assumed to be equivalent to coverage for IVF for a non-surrogate according to the coverages selected.*

In Vitro Fertilization (IVF) Cycle Benefit Additions

Three potential pathways were modeled for IVF

- **Pathway A – 0.61% of Allowed**
  - 2 covered IVF cycles
  - 2 rounds of embryo cryopreservation
  - 6 months of embryo storage
  - 2 transfers
- **Pathway B – 0.68% of Allowed**
  - 2 covered IVF cycles
  - 2 rounds of embryo cryopreservation; 2 rounds of donor sperm/egg cryopreservation
  - 6 months of embryo storage; 6 months of donor sperm/egg storage
  - 2 donor sperm vials; 4 donor eggs
  - 8 transfers
- **Pathway C – 0.87% of Allowed**
  - 3 covered IVF cycles
  - 3 rounds of embryo cryopreservation; 3 rounds of donor sperm/egg cryopreservation
  - Unlimited embryo storage; Unlimited donor sperm/egg storage
  - 2 donor sperm vials; 10 donor eggs
  - Unlimited transfers
  - IVF medical care for a surrogate according to the limitations above. Cost of surrogate not covered.

In Vitro Fertilization (IVF) Benefit Definitions

Definitions used in Wakely's pricing

Benefit	Benefit Description
Fertility Drugs, Extraction, and Fertilization	The retrieval cycle is priced together. Wakely's understanding is that once a retrieval is begun, the costs for drugs, extraction, pre-implantation, and fertilization of embryo(s) will all happen in tandem. Additional cycles of retrieval are priced according to the likelihood of needing an additional retrieval (i.e., the likelihood of not achieving a successful live birth during the previous retrieval).
Embryo Preservation	The embryo preservation pricing includes both the cost of cryopreservation and the cost of storage for the defined time period. This assumes the cost of cryopreservation will be incurred once with each retrieval. This bucket counts the cost of cryopreservation and storage of fertilized embryos only. Preservation of eggs and sperm is handled elsewhere in this pricing.
Embryo Transfers	The bucket prices the total cost of embryo transfers depending on the coverage limit listed. The pricing does not require that transfers be completed within a particular cycle of retrieval (i.e., if 5 total transfers are priced, 4 could occur in the first retrieval cycle and 1 in the second, depending on the viability of the eggs retrieved). Additional embryo transfers covered are priced according to the likelihood of needing another transfer (i.e., the likelihood of not achieving a successful live birth during the previous transfer). The cost of transfers assumes the market average mix of frozen embryo transfers and fresh embryo transfers.
Egg and Sperm Preservation	The egg and sperm preservation pricing includes both the cost of cryopreservation and the cost of storage for the defined time period. This assumes the cost of cryopreservation will be incurred once with each retrieval. This bucket counts the cost of cryopreservation and storage of eggs and sperm only. Preservation of embryos is handled elsewhere in this pricing.
Donors Sperm/Eggs	The cost of donor sperm and eggs are priced separately. Sperm units are measured in vials and eggs are measured per egg. This pricing only accounts for the cost of achieving the donation, not any costs to compensate the donor.
Surrogacy	IVF medical care (as described above) for surrogate is included but payment to the surrogate for carrying the baby is not a covered benefit. Includes cost of health testing to the surrogate for the number of tests rounds input. Tests include a blood screening panel, a medical evaluation, and a psychiatric evaluation. Outside of the testing costs, the unit cost of surrogacy is assumed to be equivalent to coverage for IVF for a non-surrogate according to the coverages selected.

Questions?

Disclosures and Limitations

Disclosures and Limitations

- **Responsible Actuaries.** Matt Sauter and Jenna Hegemann are the actuaries responsible for this document. Matt and Jenna are Associates of the Society of Actuaries and 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 State of California stakeholders. 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 summaries rely on plan documents for CA and other target states available on CMS's website. 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.