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Essential Health Benefits - Still an Elusive Concept

The term, "essential health benefits," is well, essential, to employers and insurers as we approach 2014. For employers, lifetime and annual limits are prohibited for any benefit that is an "essential health benefit." Further, if an employer plan does not offer "minimum essential coverage" the employer will need to pay the shared responsibility penalty. (It is rumoured that HHS will link essential health benefits with the requirement to provide minimum essential coverage.) For insurers, Exchanges and individuals, essential health benefits is a term that is even more important. HHS has spent over a year talking about how the rule would look. Today, HHS published additional fact sheets and guidance on how it intends to define essential health benefits. However, no definition has yet emerged.

Under the approach announced today, states would have the flexibility to select an existing health plan to set the “benchmark” for the items and services included in the essential health benefits package. States would choose one of the following health insurance plans as a benchmark:

· One of the three largest small group plans in the state;

· One of the three largest state employee health plans;

· One of the three largest federal employee health plan options;

· The largest HMO plan offered in the state's commercial market.

The benefits and services included in the health insurance plan selected by the state would be the essential health benefits package. Plans could modify coverage within a benefit category so long as they do not reduce the value of coverage. Consistent with the law, states must ensure the essential health benefits package covers items and services in at least ten categories of care. If a state selects a plan that does not cover all ten categories of care, the state will have the option to examine other benchmark insurance plans, including the Federal Employee Health Benefits Plan, to determine the type of benefits that will be included in the essential health benefits package. However, the impact on self-insured plans of the new state flexibility is unclear, and reliance on individual states to determine essential health benefits is very troubling for self-insured plans. Hopefully, a common federal standard will apply to self-insured plans, and those states who do not make a choice.

For the essential health benefits bulletin, visit: http://cciio.cms.gov/resources/regulations/index.html#hie

For a fact sheet on the essential health benefits bulletin, visit: http://www.healthcare.gov/news/factsheets/2011/12/essential-health-benefits12162011a.html