

# Essential Health Benefits: Next Steps in Colorado

## SUMMARY

Essential health benefits are the minimum set of health services that must be included in most health insurance plans starting in 2014 under federal health reform. All small group and individual health insurance plans sold on and off the Colorado Health Benefit Exchange will be required to cover the essential health benefits. In 2016, this could represent up to one million Coloradans. Coloradans covered by public insurance or large employers will generally be exempt from the essential health benefits guidelines.

Defining an essential health benefit is one of the challenges and opportunities facing Colorado's health care leaders in 2012. While there are a number of outstanding questions regarding the decision-making process, it clearly will require a delicate balancing act between comprehensiveness and affordability. If Colorado's benefit package is too expansive, Coloradans may view the premiums as too expensive and decide to pay a penalty rather than purchase insurance. If Colorado's definition is too narrow, consumers may be required to pay more out-of-pocket for health care than they would otherwise.

CHI anticipates a number of coverage issues will be part of Colorado's discussion around essential health benefits, including pediatric oral and vision services, autism care, substance abuse treatment, habilitative services, bariatric surgery, and in-vitro fertilization.

## The essentials

*How does health reform define essential health benefits? The Affordable Care Act (ACA) outlines ten main concepts, without structure or guidelines.*

1. Ambulatory patient services
2. Emergency services
3. Hospitalization
4. Maternity and newborn care
5. Mental health and substance use disorder services
6. Prescription drugs
7. Rehabilitative/habilitative services
8. Laboratory services
9. Prevention, wellness and chronic disease management
10. Pediatric services, including oral/vision care

While it's unclear if the General Assembly will define Colorado's essential health benefits, it is certain to be an important issue to constituents and stakeholders across Colorado.



## BACKGROUND: WHY ARE ESSENTIAL HEALTH BENEFITS IMPORTANT?

The theory behind the “essential health benefits” concept is that it partially addresses the issue of underinsurance. Underinsured is a term used to describe people who have insurance but still spend a large proportion of their income on care that their plan doesn’t cover. About 675,000 Coloradans are underinsured, according to the 2011 Colorado Health Access Survey (CHAS). Of these underinsured Coloradans, a disproportionate number are in the individual market—precisely the group that will be most impacted by the essential health benefits. By making sure that all health plans cover basic services such as maternity care, prescription drugs and hospitalizations, fewer Coloradans will be required to pay overwhelming medical bills if they get sick. In addition, one definition would help standardize benefits across health insurance plans and across states.

## WHO WILL BE IMPACTED BY ESSENTIAL HEALTH BENEFITS IN 2016 IN COLORADO?

Impacted	Number	Not impacted	Number
Small firm employer sponsored insurance	340,000	Large firm employer sponsored insurance	2,370,000
Individual market (on and off Exchange)	620,000	Individual market (grand-fathered)	70,000
<b>Total</b>	<b>960,000</b>	<b>Total</b>	<b>2,440,000</b>

Note: Essential health benefits will impact Medicaid for adults, but not for children.  
Source: Dr. Jonathan Gruber’s analysis for the Colorado Health Benefit Exchange

## THE ESSENTIAL HEALTH BENEFITS BULLETIN FROM HHS

On December 16, 2011, the U.S. Department of Health and Human Services issued a bulletin with a proposed approach to defining essential health benefits. The guidelines allow states to select a health plan currently offered in their state, and then use those benefits as a “benchmark” for defining essential health benefits. In other words, individual and small group plans will be required to cover, at a minimum, the services included in the “benchmark” plan. Colorado can choose from the following. In all cases, “largest” is determined by enrollment.

- 1 One of the three largest small group plans in the state. This is the option that HHS recommends. In Colorado, the three largest small group carriers are Kaiser Foundation Health Plan; United Healthcare Insurance Co.; and Rocky Mountain Hospital and Medical Services.
- 2 One of the three largest state employee health plans.
- 3 One of the three largest federal employee health plans.
- 4 The largest HMO plan offered in the commercial market.

## NEXT STEPS FOR COLORADO

Over the next few months, the Colorado Division of Insurance, the Governor’s Office, and the Colorado Health Benefit Exchange will gather questions and comments from stakeholders. To ensure that health plans have sufficient time to prepare for 2014, a decision must be made by the third quarter of 2012. At this time, it is unclear who will make this decision.

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