

Compliance Alert

IOM Releases Essential Health Benefits Recommendations

Alert Date: October 11, 2011

Background

The Institute of Medicine (IOM), the independent non-profit health arm of the National Academy of Sciences, has released a report which includes recommendations on developing a process for establishing "Essential Health Benefits" (EHB) as required by the Affordable Care Act (ACA). The ACA requires certain individual and small group health plans to include a set of benefits defined as essential, and calls for the Department of Health and Human Services (HHS) to identify the specific benefits to be included in the EHB package. HHS in turn asked the IOM to develop recommendation on the creation of the EHB package. This report is a result of that request. HHS will now move forward with finalizing the process of defining the EHB package taking into account these recommendations.

Which health plans will be subject to the EHB requirements?

Beginning in 2014 all individual health plans, and small employer fully insured health plans, must include coverage for essential health benefits. The ACA defines a small employer as an employer with up to 100 employees. States which implement a state based exchange are allowed to limit the definition of small employer to those with up to 50 employees until 2016.

The EHB package does not apply to small employer plans which retain grandfathered status, however it is anticipated that very few small group plans will still be grandfathered by 2014. Furthermore, many health insurance carriers are likely to include the EHB package in all small group plan designs, instead of offering a separate "non-EHB" plan design for the few remaining grandfathered small employer plans.

Self-funded and fully insured large group health plans are not required to include coverage for the EHB package. However, any essential health benefits that are provided by these plans are subject to the limits on annual and lifetime maximums contained in the ACA.

IOM Recommendations

The IOM report does not make specific benefit suggestions, rather it provides HHS with recommendations on the process for defining and maintaining the EHB package. Some of the IOM recommendations relevant to employer sponsored plans include:

- "The starting point in establishing the initial EHB package should be the scope of benefits and design provided under a typical small employer plan in today's market."
- The EHB rules should allow some state flexibility. "...for states administering their own exchanges that wish to adopt a variant of the federal EHB package, [HHS] should ...grant such requests, provided that the state-specific EHB definition is consistent with the requirements of ...the ACA"
- "To ensure over time that EHB-defined packages are affordable and offer reasonable coverage, [HHS] should develop a strategy for controlling rates of growth in health care spending across all sectors in line with the rate of growth in the economy."

A copy of the full report can be found on the Kaiser Family Foundation health reform site at <http://healthreform.kff.org/document-finder/iom-essential-health-benefits-recommendations.aspx>.

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