Public Meeting on California's Essential Health Benefits and Updating the Benchmark Plan

January 28, 2025

Welcome & Introductions

Mary Watanabe, Director, DMHC

Agenda

1. Welcome and Introductions
2. Overview of Essential Health Benefits and Process for Establishing a New Benchmark Plan
3. Essential Health Benefit Analysis and Benefit Options
4. Public Comment
5. Closing Remarks

Overview of Essential Health Benefits and Process for Selecting a New Benchmark Plan

Sarah Ream, Chief Counsel, DMHC

Essential Health Benefits (EHBs)

- EHBs are the benefits that all non-grandfathered health plan contracts in the small group and individual market must cover under federal law and through requirements set forth in state statute.
- Must include benefits from all 10 categories of benefits.

EHB Categories

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

Essential Health Benefits

- Per federal requirements, states choose a “benchmark plan,” to establish the EHB benefits in that state.
- States could not select benefits ala carte—had to chose an existing plan product.
- California selected the 2014 Kaiser Foundation Health Plan Small Group HMO 30 plan to be California’s benchmark plan.
- Historically, a state must defray the costs of mandated benefits that “exceed EHB.”

Benchmark Plan Process

- The Typicality Test requirement places a minimum and maximum limit on how rich the benefits can be.
- CMS must approve any changes to the benchmark plan.
- The benchmark plan cannot contain:
  - Lifetime or annual limits or maximum dollars.
  - Discriminatory benefits such as benefits for certain conditions or age groups.
- As of 2024, approximately 12 states have revised their benchmark plan with more expected.

Timeline

- June 27, 2024: First public meeting
- January 28, 2025: Second public meeting
- February 2025: Legislative hearing
- Mid-February 2025: Finalize benefit decisions
- March 2025: First public comment period
- April 2025: Second public comment period (if needed)
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- January 1, 2027: Effective date of new benchmark plan

CA Essential Health Benefits

ESSENTIAL HEALTH BENEFIT ANALYSIS & BENEFIT OPTIONS

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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.

Benefit Pricing and Benefit Options

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.

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%

Preventive Services Only

Oral Exams 2x/year

Full mouth radiographs every 3 years; X-rays 2x/year

Prophylaxis 2x/year

Emergency services to treat/relieve pain and infection

Allowed Cost Range: 2.6% - 4.6%

All Adult Dental Services

All Preventive Services, plus:

Class B (endodontics, periodontics, oral surgery)

Class C (prosthodontics, crowns, root canals, etc.)

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

Option A – 0.61% of Allowed

- 2 covered IVF cycles
- 2 rounds of embryo cryopreservation
- 6 months of embryo storage
- 2 transfers

Option 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

Option 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.
- **Risks and Uncertainties**. The assumptions and resulting estimates included in this document and produced by the modeling are inherently uncertain. Users of the results should be qualified to use it and understand the results and the inherent uncertainty. Actual results may vary, potentially materially, from our estimates. Wakely does not warrant or guarantee that California and/or the issuers will attain the estimated values included in the document. It is the responsibility of those receiving this output to review the assumptions carefully and notify Wakely of any potential concerns.
- **Conflict of Interest.** Wakely provides actuarial services to a variety of clients throughout the health industry. Our clients include commercial, Medicare, and Medicaid health plans, the federal government and state governments, medical providers, and other entities that operate in the domestic and international health insurance markets. Wakely has implemented various internal practices to reduce or eliminate conflict of interest risk in serving our various clients. Except as noted here, the responsible actuaries are financially independent and free from conflict concerning all matters related to performing the actuarial services underlying this analysis.
- **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.

Public Comment

Public comments may be submitted until 5 p.m. on February 4, 2025 to publiccomments@dmhc.ca.gov

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Closing Remarks

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