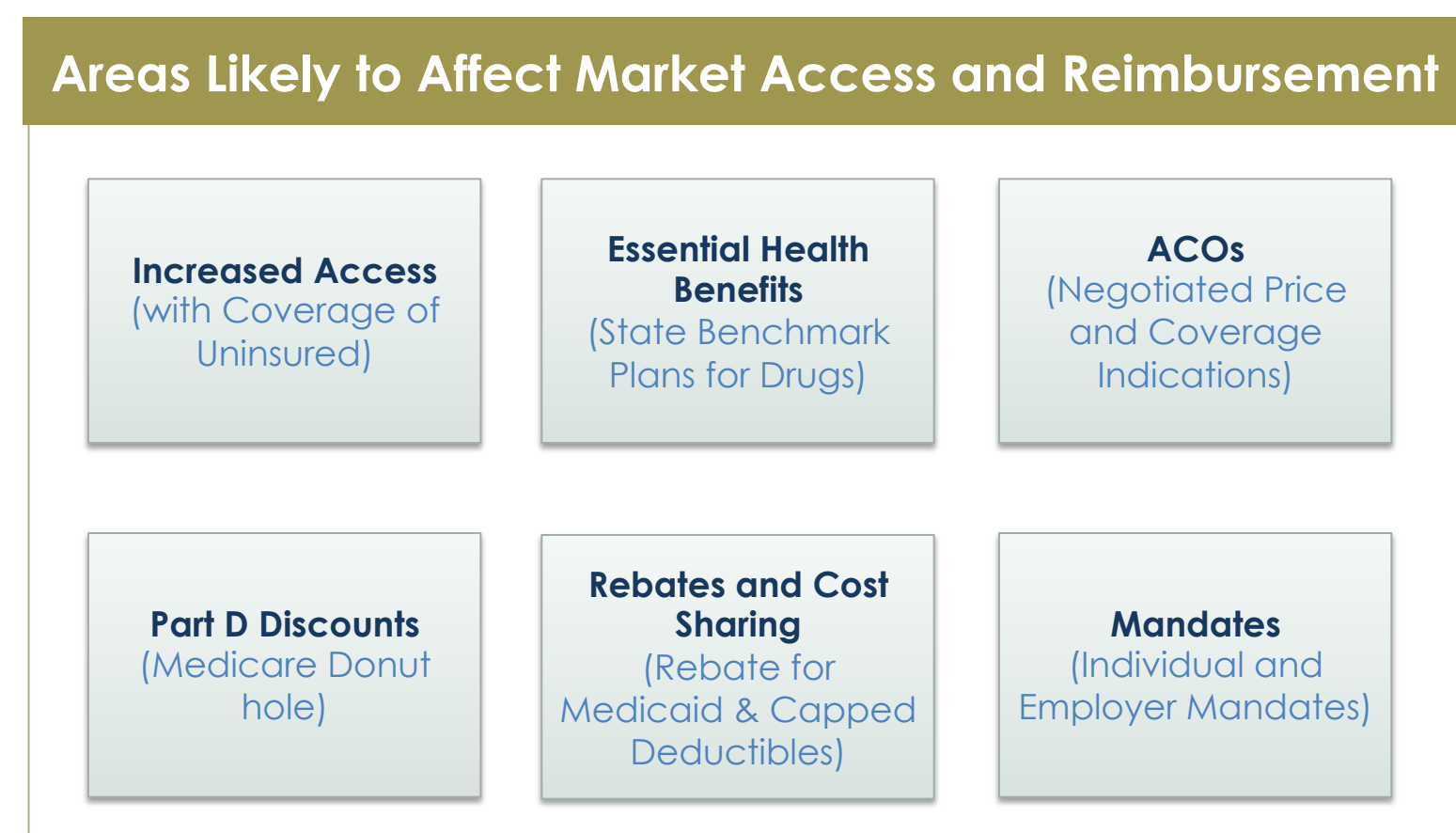
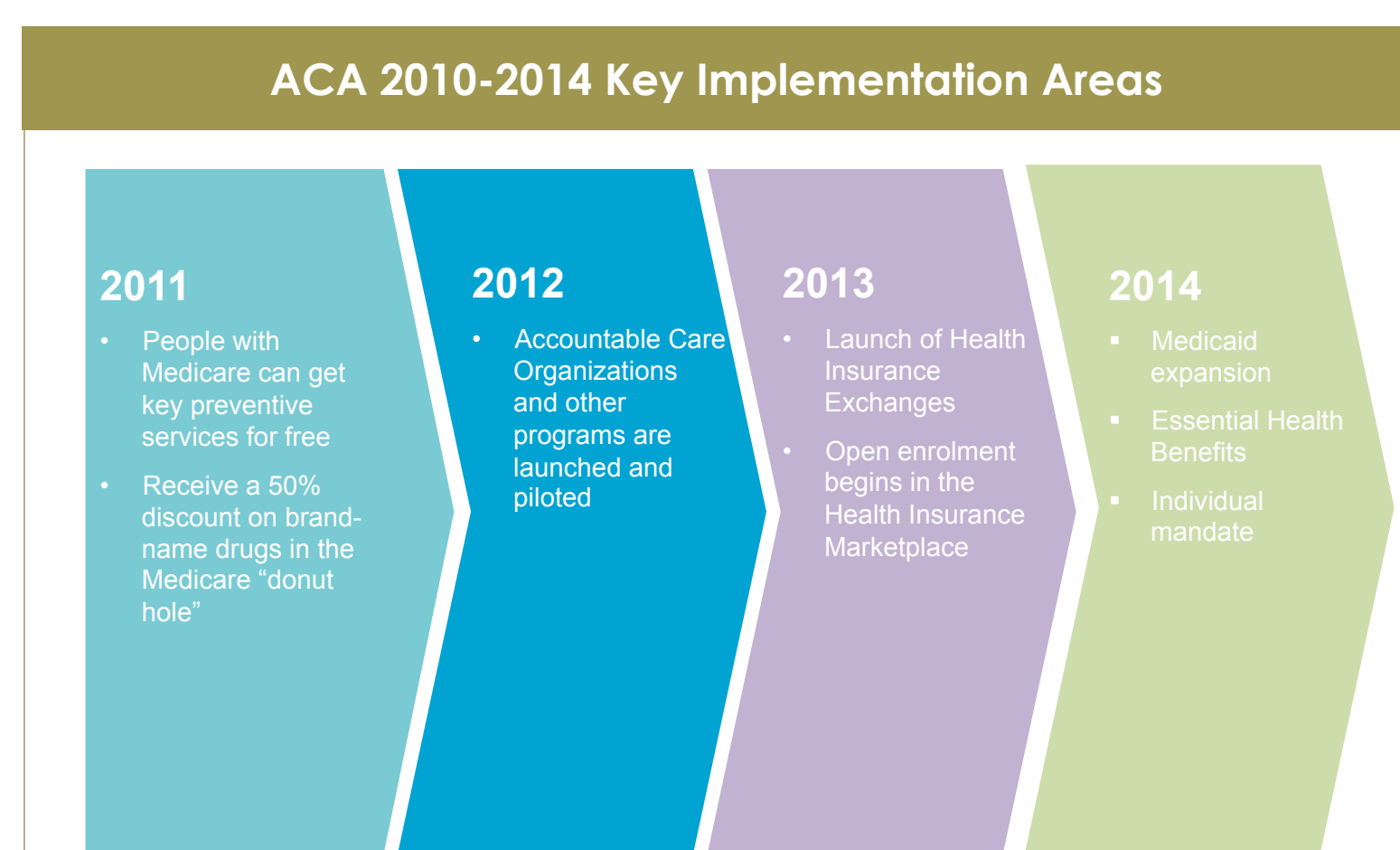


IMPACT OF ESSENTIAL HEALTH BENEFIT BENCHMARK PLANS ON US MARKET ACCESS

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Essential Health Benefits

The Affordable Care Act of 2010 (ACA) requires insurers to provide coverage for an Essential Health Benefits (EHB) package in 10 benefit categories, effective the first plan year on or after January 1, 2014. These requirements apply to all fully insured health plans offered in the Individual and Small Group insured markets (both inside and outside of Exchanges). EHB requirements do not apply to ASO plans (regardless of group size), fully insured Large Group plans or any grandfathered plans.

The Essential Health Benefits package encompasses these 10 benefit categories:

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

Essential Health Benefits for Prescription Drugs

In 2014 and 2015, states may define the EHB package by selecting a benchmark plan reflecting the scope of services offered by a "typical employer plan" from one of the following benchmark health insurance plan options:

- ▶ The largest plan by enrollment in any of the state's three largest Small Group insurance products
- ▶ Any one of the three largest state employee health plans by enrollment
- ▶ Any one of the three largest federal employee health plan options by enrollment
- ▶ The largest HMO plan offered in the state's commercial market by enrollment

States were required to choose their benchmark plans by December 26, 2012. If a state has not made a selection, a default plan will apply. The default plan for such states will be the largest plan by enrollment in the largest product in the state's Small Group market.

Grandfathered Health Plans Only 26%, Majority Subject to EHB

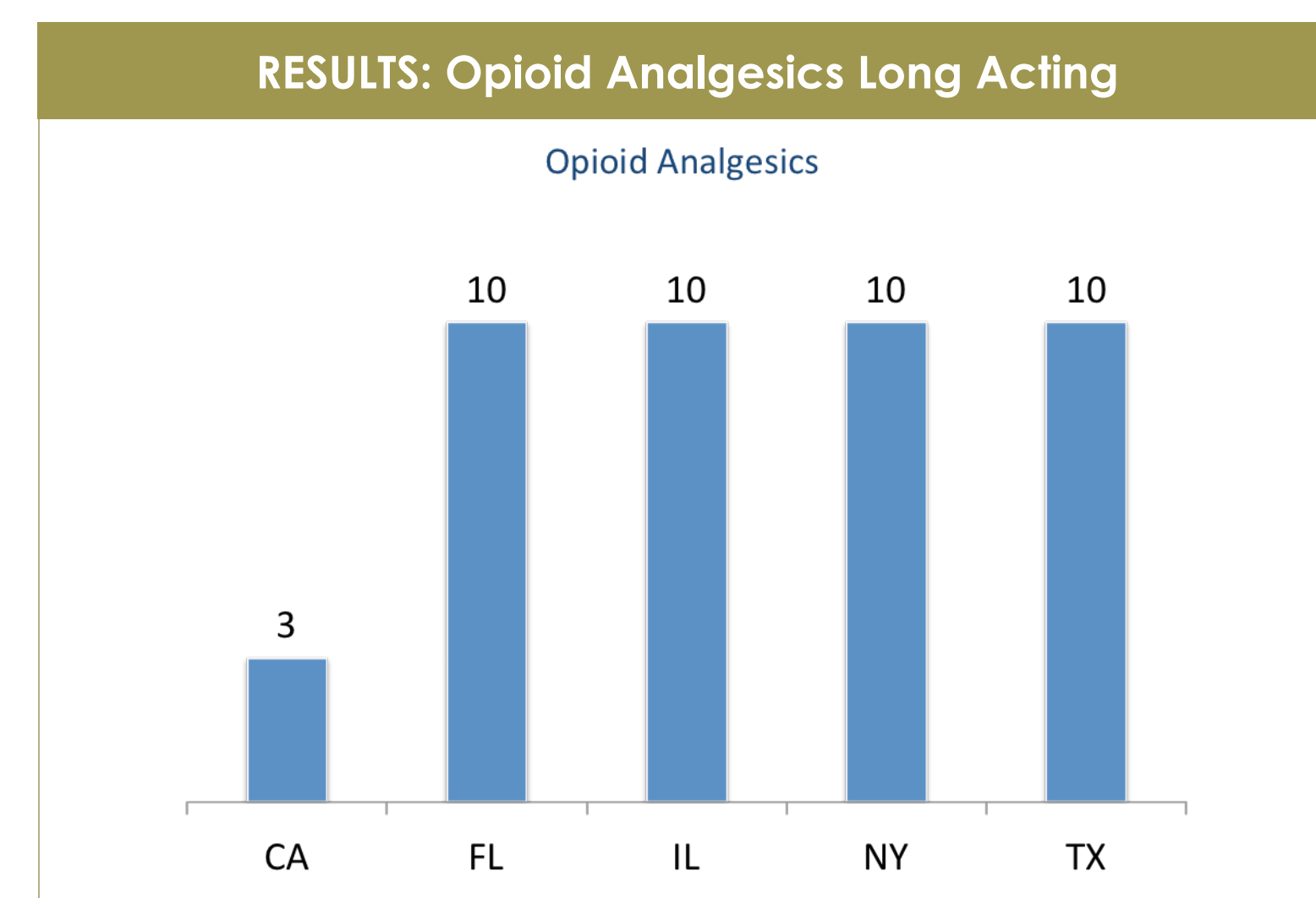
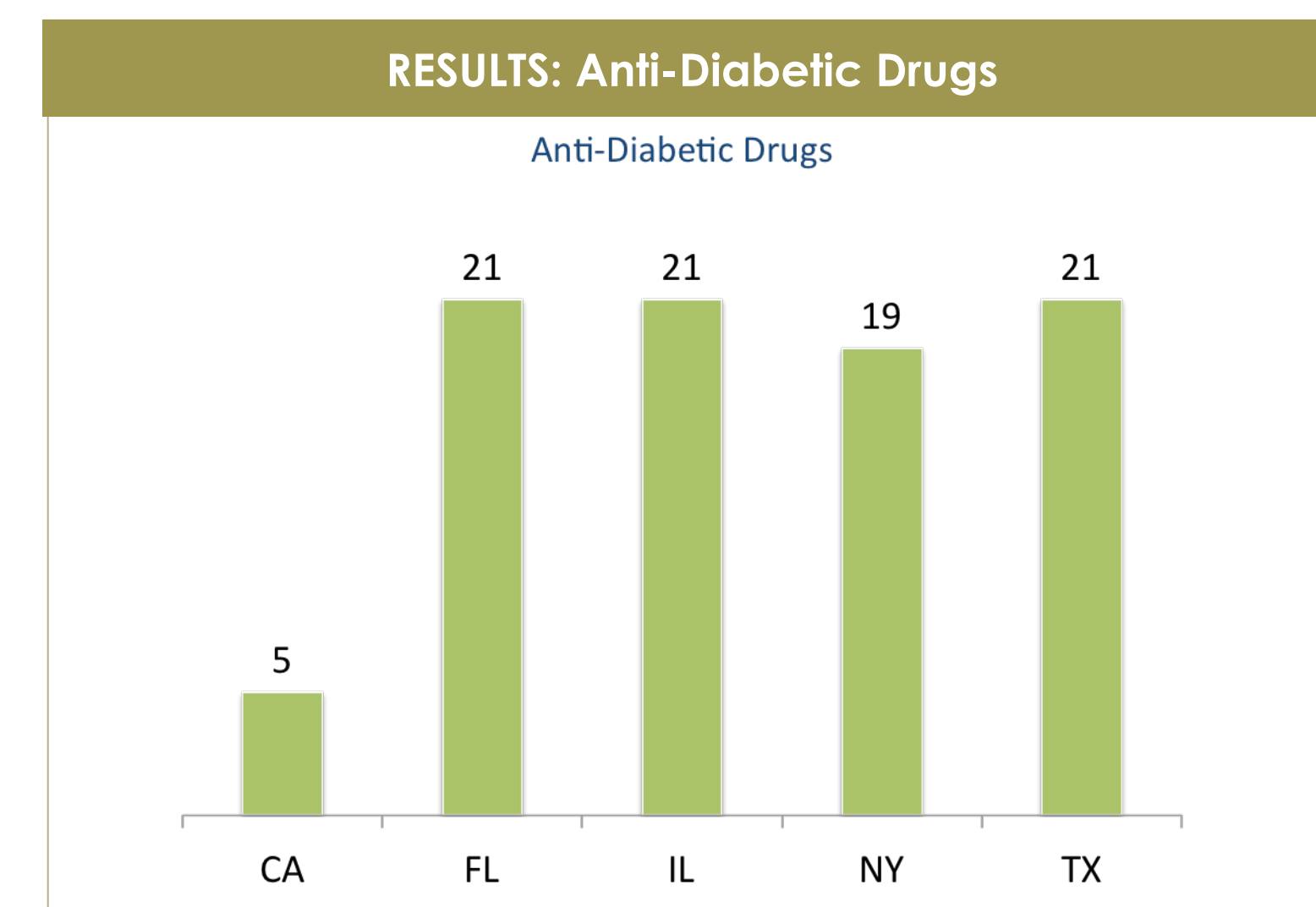
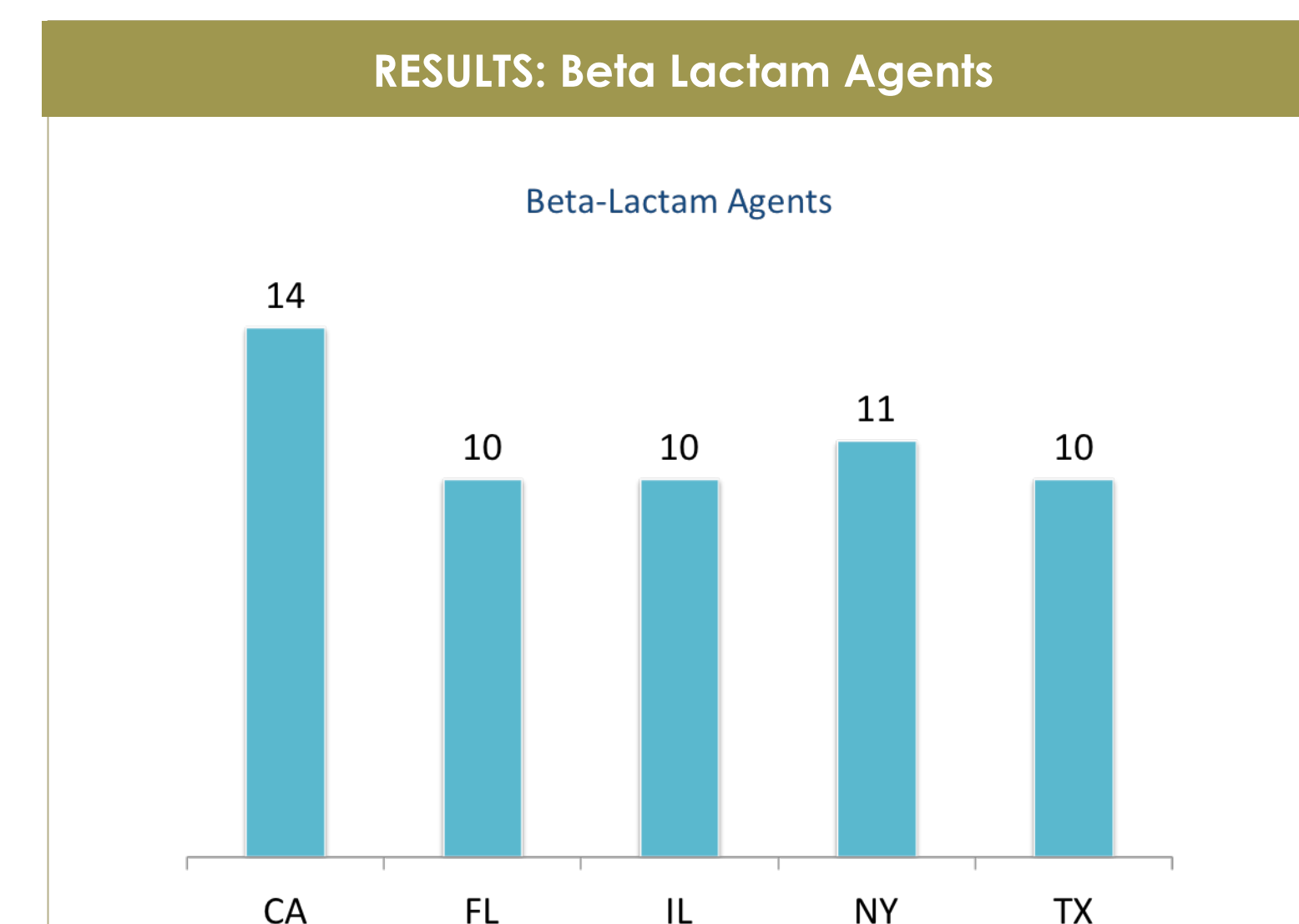
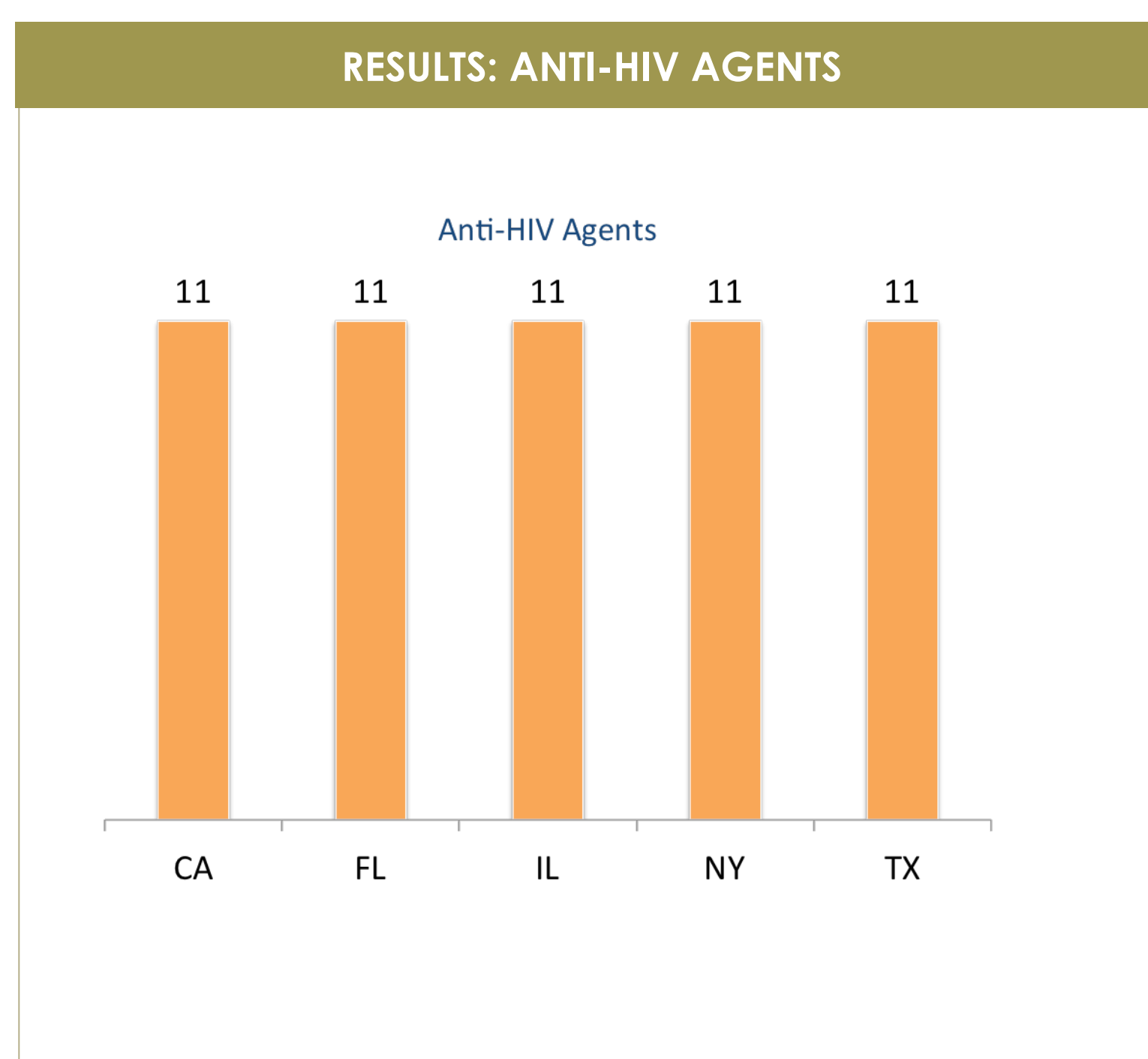
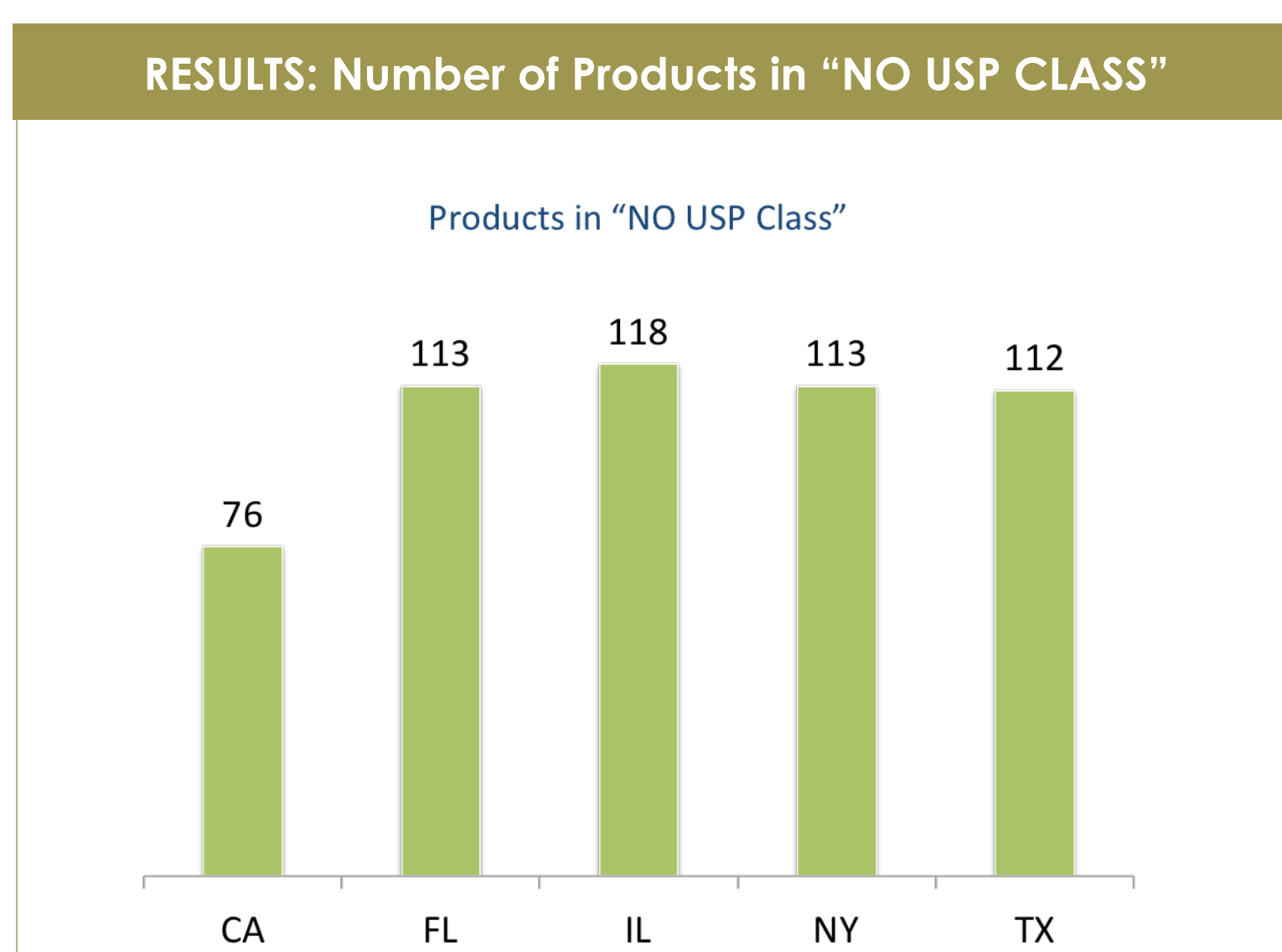
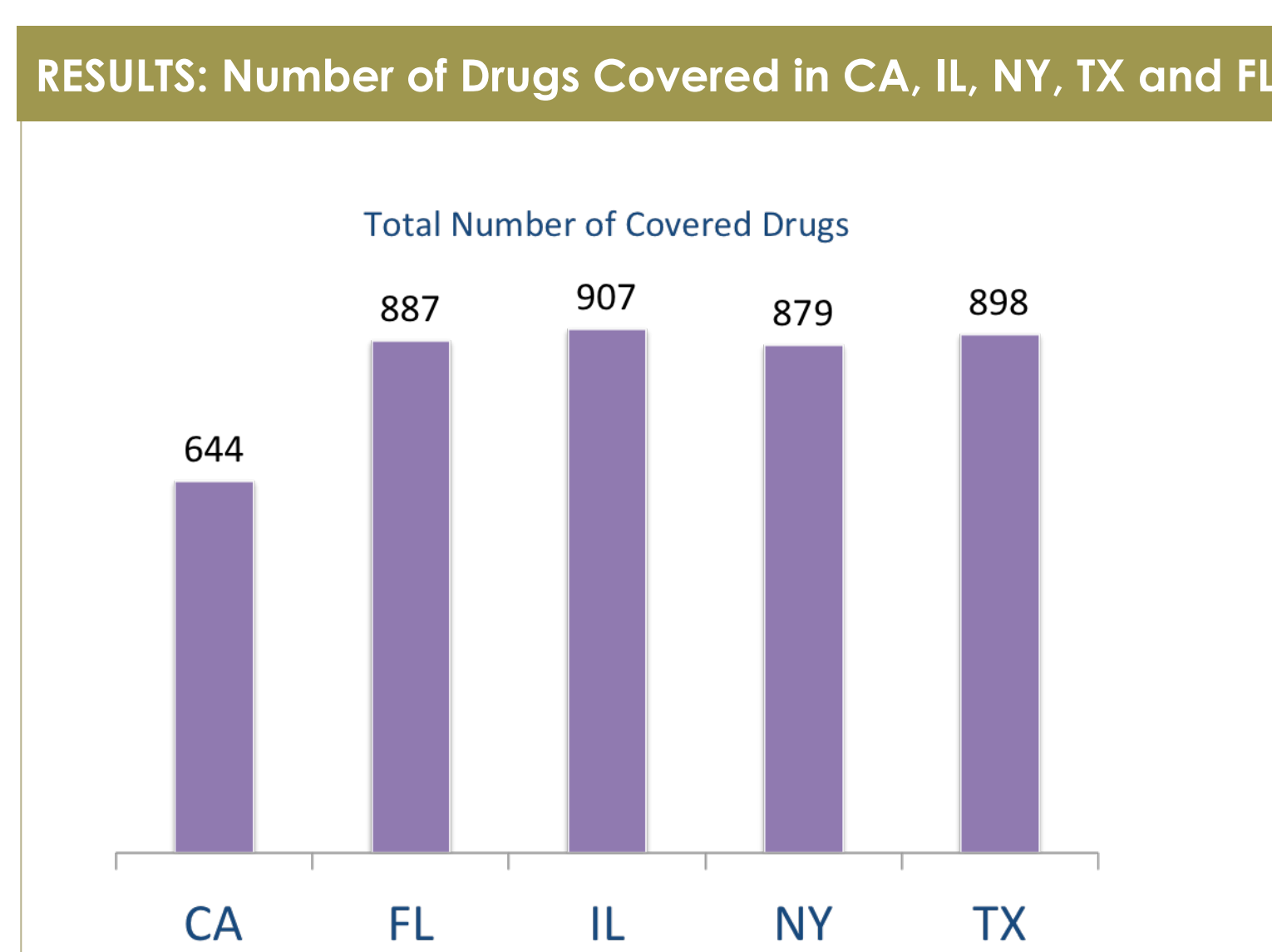
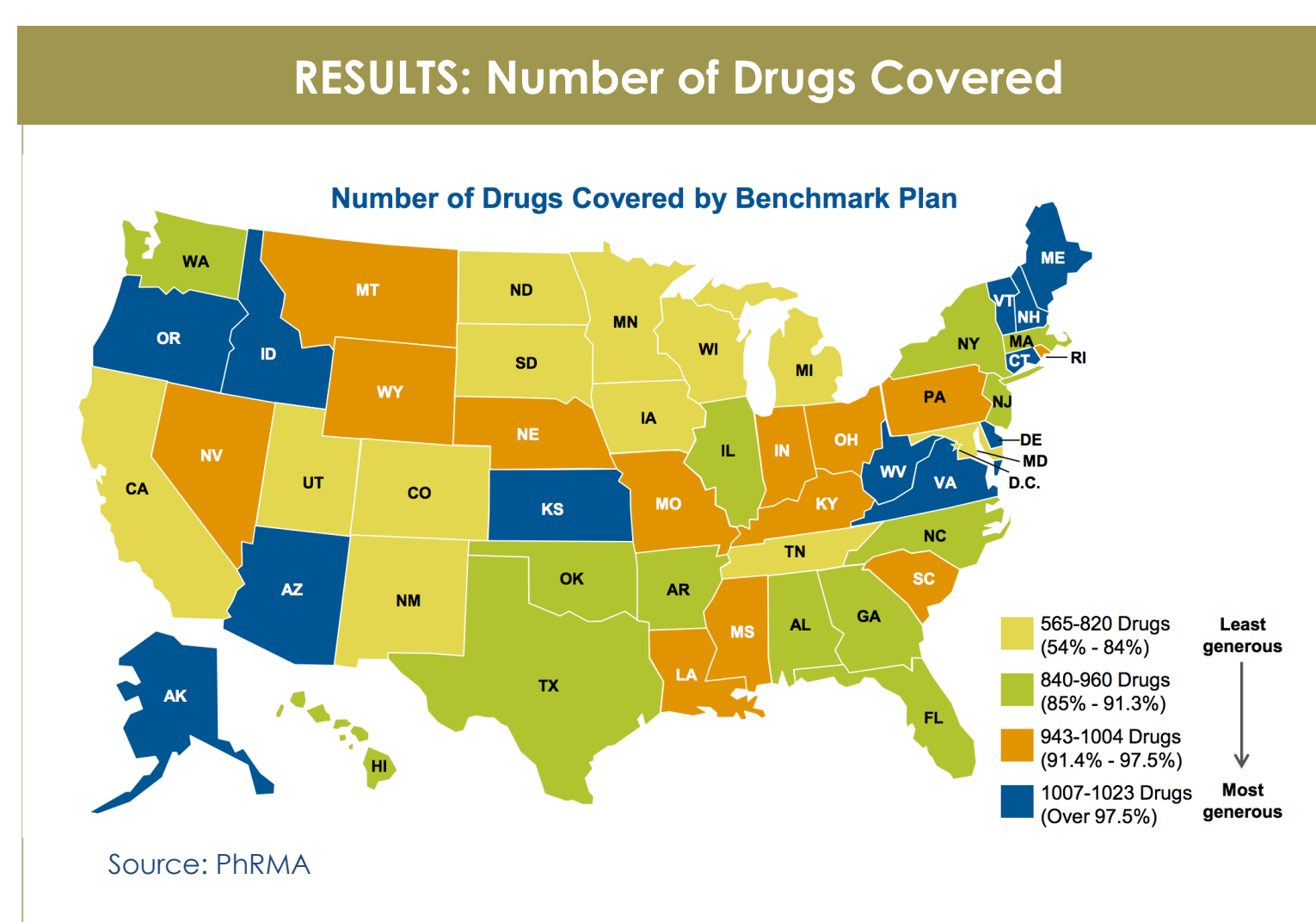
Percentage of Covered Workers Enrolled in Plans Grandfathered under the Affordable Care Act (ACA), by Firm Size, 2011 to 2014

| FIRM SIZE | 2011 | 2012 | 2013 | 2014 |
|---------------------------------|------|------|------|------|
| 3-24 Workers | 69% | 57% | 53% | 36% |
| 25-49 Workers | 52 | 45 | 52 | 40 |
| 50-199 Workers | 63 | 55 | 44 | 31 |
| 200-999 Workers | 61 | 60 | 42 | 33 |
| 1,000-4,999 Workers | 54 | 41 | 34 | 21 |
| 5,000 or More Workers | 49 | 42 | 23 | 18 |
| All Small Firms (3-199 Workers) | 63% | 54% | 49% | 35% |
| All Large Firms (200+) | 53% | 46% | 30% | 22% |
| ALL FIRMS | 56% | 48% | 36% | 26% |

Source: Kaiser

Methodology

- ▶ The new pricing, access and coverage changes impacting the pharmaceutical and devices products were reviewed using the bill for ACA (H. R. 3590), 2011-2013 policy publications, reports by Congressional Budget Office and Government Accountability Office, and the latest Centers for Medicare & Medicaid Services (CMS) guidelines for Essential Health Benefits (EHBs).
- ▶ The benchmark plans for top five states, i.e., FL, IL, NY, TX and CA, covering ~116 million lives, were obtained from CMS. For each plan the categories, classes and number of covered drugs was collected and pooled into one database.
- ▶ Analysis was conducted at the entire population level, state-level and for top classes of drugs. The comments from patient groups were reviewed to understand the impact of EHB on patient choice and health outcomes



"VERY LOW" Access in Some States versus Other States

| | CA | IL | NY | TX | FL |
|--|----|----|----|----|----|
| NONSTEROIDAL ANTI-INFLAMMATORY DRUGS | 20 | 40 | 40 | 40 | 40 |
| ANGIOTENSIN-CONVERTING ENZYME (ACE) INHIBITORS | 2 | 10 | 10 | 10 | 10 |
| GLUCOCORTICOID/ MINERALCORTICOID | 16 | 23 | 23 | 23 | 23 |
| OPIOID ANALGESICS, LONG-ACTING | 3 | 10 | 10 | 10 | 10 |
| ANTISPASMODICS, URINARY | 1 | 7 | 7 | 7 | 7 |
| ANTIHISTAMINES | 4 | 8 | 10 | 10 | 10 |
| ANGIOTENSIN II RECEPTOR ANTAGONISTS | 1 | 8 | 8 | 8 | 8 |

SUMMARY & CONCLUSIONS

- ▶ The benchmark plans for top five states provide coverage of 4215 drugs belonging to 158 classes as defined by USP.
- ▶ While four states FL, IL, NY and TX had similar number of covered drugs (Median of 892 drugs), CA had significantly lower number of covered drugs, 28% less than other four states.
- ▶ On average, 10% of the drugs were in the class called "No USP Class", highlighting the limitation of CMS designated USP classification system for the new plans.
- ▶ In CA, FL, IL, NY and TX there were 18, 7, 8, 11 and 8 classes, respectively for which only 1 was covered.
- ▶ For CA, top 8 classes were identified for which patients had 75% lower choice than other states, these include indications such as Anti-Diabetics and Pain medications.

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Awarded Two Platinum and One Bronze Medal by AMCP

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