AK Essential Health Benefits

ESSENTIAL HEALTH BENEFIT ANALYSIS & APPLICATION PROCESS

PRESENTED BY:

Julie Peper, FSA, MAAA
julie.peper@wakely.com

Matt Sauter, ASA, MAAA
matt.sauter@wakely.com

Lisa Winters, ASA, MAAA
lisa.winters@wakely.com

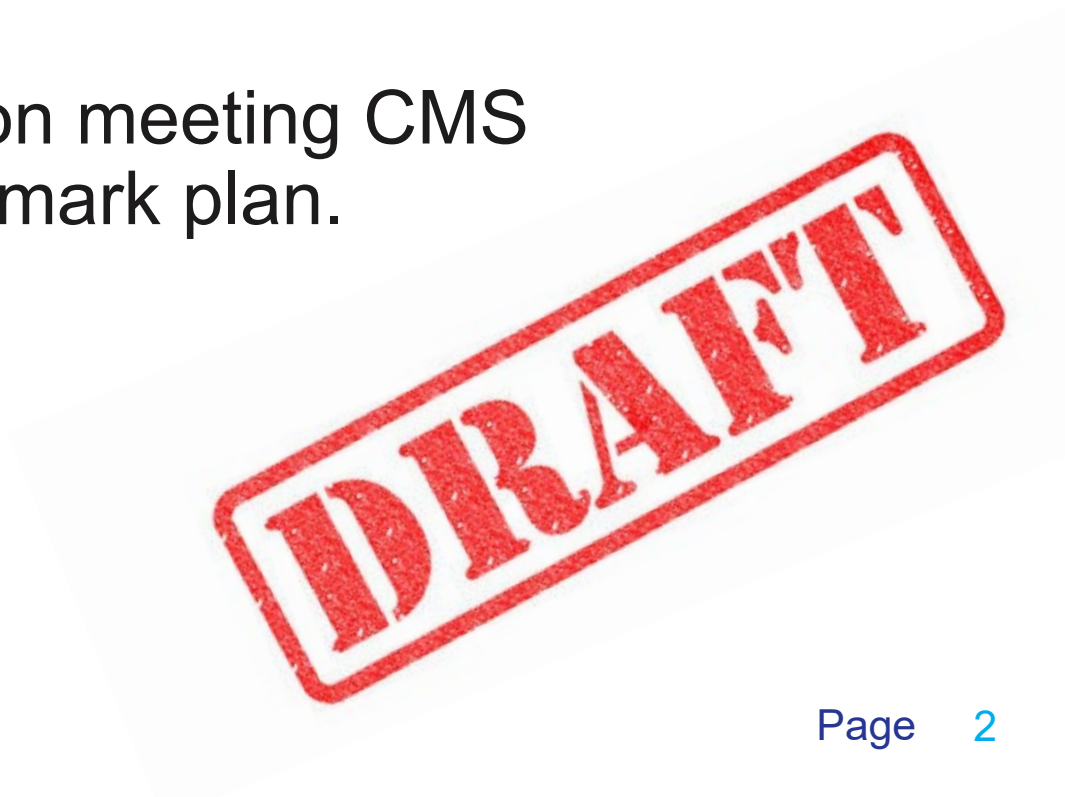
Wakely
An HMA Company

Going Beyond the Numbers

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.



Agenda

- Essential Health Benefit (EHB) Overview
- Federal Regulations
- Benefit Pricing & Selection
- Wakely Process & Project Timeline
- Disclosures and Limitations
- Additional EHB Regulations and Information

Project Plan

- Review Alaska's current EHB holistically and against other states
- Discuss with Wakely, issuers, and stakeholders
- Identify options in accordance with federal regulations
- Analyze benefits & define new EHB benchmark plan
- Decide on pathway forward
- **Stakeholder Feedback *[April 2024]***
- **Submit to CMS [May 1]**

Updates from Last Stakeholder Meeting

Updates from Previous Stakeholder Meeting

2025 NBPP and Public Comments

- 2025 Notice of Benefit Payments and Parameters
  - Removed generosity test
  - Typicality standard is only remaining test (effectively absorbed generosity test)
- Nutritional Counseling medical benefit expanded to include coverage of obesity such as nutritional screening, counseling and therapy for obesity, and GLP1 and GIP drugs
- No longer adding drugs to the formulary

New Benefits

Description of Benefits

New benefits added 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	0.05%
Chiropractic	Increasing the limit from 12 to 20 visits	0.05%
Massage	Increasing the limit from 0 to 20 visits	0.01%
Temporomandibular Joint Services (TMJ)	Inpatient and outpatient services for treatment of TMJ disorders	0.01%
Nutritional Counseling	Nutritional counseling for obesity, nutrition screening, and GLP1 and GIP drugs	0.07%
Total		**0.19%**

DOI Reponses to Public Comment

- Public comments were received
- 2nd public comment period is ongoing

Original Stakeholder Meeting Slides

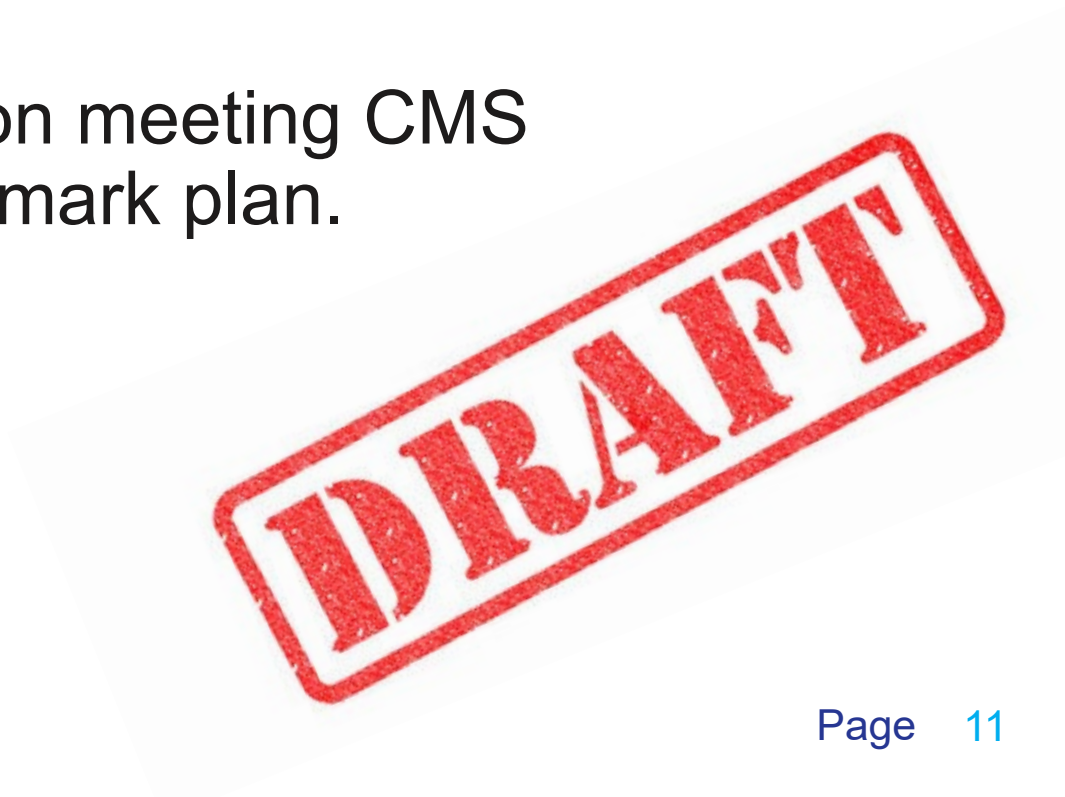
Agenda

- Essential Health Benefit (EHB) Overview
- Federal Regulations
- Benefit Pricing & Selection
- Wakely Process & Project Timeline
- Disclosures and Limitations
- Additional EHB Regulations and Information

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.



Essential Health Benefit (EHB) Overview

EHB Overview

What are EHBs?

- A set of benefits set by the benchmark plan (BMP), includes the care, treatment and services that all issuers are required to cover.
- EHBs define the coverage of a benefit, not administration. Think “What” not “How.”
- Benefit administration (utilization management, providers and delivery method, cost sharing) is not governed by EHBs.

What is a Benchmark Plan?

- A state’s health plan that defines the set of EHBs that must be covered.
- HHS regulations define EHBs based on the state-specific EHB benchmark plan.
- For a plan to meet EHB plan standards it must offer benefits across ten benefit categories.
- Alaska has its own unique benchmark plan.

EHB Overview (cont.)

- Alaska is pursuing a new Essential Health Benefit (EHB) Benchmark Plan (BMP) to better serve members and better align with the State's goals.
- The EHB benchmark plan affects fully-insured commercial individual and small group markets. A new EHB benchmark plan would require insurers to update their benefits.
- As of February 2024, nine states have successfully updated their EHB benchmark plan.

Project Plan

- Review Alaska's current EHB holistically and against other states
- Discuss with Wakely, issuers, and stakeholders
- Identify options in accordance with federal regulations
- Analyze benefits & define new EHB benchmark plan
- Decide on pathway forward
- **Stakeholder Feedback *[April 2024]***
- **Submit to CMS [May 1]**

Recently Approved EHB BMP Changes

Summary Table

Category	Themes	# of States
Drug	Opioid reversal agent (naloxone)	6
Drug	Removal of barriers to medication-assisted treatment for opioids	4
Drug	Alternatives to opioids	1
Drug	Limits opioid prescription length for acute pain	1
Drug	Anti-hepatitis C Agents	1
Medical	Mental wellness, psychiatric	3
Medical	Acupuncture	2
Medical	Hearing Aid/Hearing Exam	2
Medical	Chiropractic	1
Medical	Gender affirming care	1
Medical	Periodontal Disease	1
Medical	PET Scan	1
Medical	Artery Calcification Testing	1
Medical	Prosthetics	1
Medical	Medical Formulas	1
Medical & Drug	Weight Loss/Nutrional Counseling	2
Medical & Drug	Insulin Drugs/Supplies	1

Resources:
https://www.cms.gov/CCIIO/Resources/Data-Resources/ehb

Recently Approved EHB BMP Changes

Detailed Table (as of 1/1/2024)

State	Category	Benefit	Allowed $	% of Allowed
VA	Adds	Medical Formulas	$0.14	
VA	Adds	Medically Necessary Myoelectric, Biomechanical, or Microprocessor-Controlled Prosthetic Devices	$0.23	
ND	Limits	Limited member's out-of-pocket costs for insulin and insulin supplies	$0.57	
ND	Adds	One hearing aid per hearing-impaired ear every 36 months	$0.73	
ND	Adds	Dietary or nutritional screening, counseling and therapy up to 12 sessions per policy year	$0.52	
ND	Adds	Diagnosis and treatment of periodontal disease	$0.13	
ND	Adds	PET scan, every six months	$0.17	
ND	Adds	Opioid Benefits	$0.07	
VT	Adds	Annual Hearing Exam & Hearing Aids every 3 years		0.10%
CO	Adds	Acupuncture		0.08%
CO	Adds	Gender Affirming Care		0.04%
CO	Adds	Mental Wellness Exam		0.02%
CO	Adds	Expanded USP Drug Classes		0.02%
NM	Adds	Artery Calcification Testing	$0.09	0.03%
NM	Adds	Weight loss treatment for obese members	$0.05	0.02%
NM	Adds	Opioid Reversal Agents (naloxone)	$0.02	0.00%
NM	Adds	Anti-Hepatitis C Agents	$1.10	0.33%
NM	Removes	Benefit limits of prosthetics	$0.08	0.02%
IL	Adds	At least one intranasal opioid reversal agent (naloxone)		0.06%
IL	Adds	A topical anti-inflammatory medication for acute and chronic pain		0.00%
IL	Limits	Opioid prescriptions for acute pain to no more than 7 days		0.00%
IL	Removes	Barriers to medication-assisted treatment (MAT) of opioid use disorder, such as prior authorization		0.00%
IL	Adds	Telepsychiatry care		0.01%
MI	Adds	At least one intranasal opioid reversal agent (naloxone)	$0.00 - $1.73	
MI	Removes	Barriers to medication-assisted treatment (MAT) of opioid use disorder, such as prior authorization	$0.00	
OR	Adds	Up to 20 spinal manipulation visits per year	$1.89	
OR	Adds	Up to 12 acupuncture visits per year	$0.95	
OR	Adds	At least one intranasal opioid reversal agent (naloxone)	$0.00	
OR	Removes	Barriers to medication-assisted treatment (MAT) of opioid use disorder, such as prior authorization	$0.00	
SD	Adds	Applied Behavioral Analysis for the treatment of ASD (Autism Spectrum Disorder)		0.30%

Wakely

Resources:
https://www.cms.gov/CCIIO/Resources/Data-Resources/ehb

Federal Regulations

Federal Regulations

Under 45 CFR 156.111 states may select a new EHB benchmark plan (BMP) for 2020 BY or later (finalized in 2019 NBPP) using one of 3 options:

- Select an EHB benchmark plan that another plan used for the 2017 BY
- Replace one or more categories of EHB with another 2017 BY BMP
- Select a new set of benefits to become the state's EHB benchmark plan, provided certain conditions are met

To date, all updates to state EHB benchmark plans have used method #3. Conditions include:

- Provide reasonable public comment period
- Submit supporting documentation
- Fulfill typicality and generosity standards

Wakely

Resources:
Federal Register :: Patient Protection and Affordable Care Act; HHS Notice of Benefit and Payment Parameters for 2019

Federal Regulations

- Applications submitted by the May 4, 2024 deadline would affect the EHB benchmark plan starting in BY 2026 (as finalized in the 2023 NBPP)
- CMS must approve any changes to the EHB benchmark plan
- EHBs cannot contain any:
  - Lifetime or annual limits or maximum dollars
  - Discriminatory benefits (e.g., foot care for diabetics revises to foot care as medically necessary)

Wakely

Resources:
Federal Register :: Patient Protection and Affordable Care Act; HHS Notice of Benefit and Payment Parameters for 2023

Federal Regulations

Typicality and Generosity Tests

Generally, there are two "tests" the proposed benchmark plan must meet – the typicality and generosity tests:

- **Typicality Test** - Provides a scope of benefits in the new EHB benchmark plan that are equal to the scope of benefits provided under a typical employer plan selected by the state.
- **Generosity Test** - Ensures the new EHB benchmark plan does not exceed the generosity of the most generous among a set of comparison plans. The costs (i.e., actuarial value) of the new plan cannot exceed the cost of the most generous plan at all (0.0%).

- The benefit plans that can be used for each test are defined by federal regulations.

Any update of a state's EHB benchmark, regardless of option selected, must meet both the typicality and generosity tests
Clearance Round 1 FAQ on Defrayal of State Additional Required Benefits_9.19 (cms.gov)

Other Changes

Other Federal Requirements

Beyond Federal regulations, CMS often requests states to “clean up” the benchmark documentation to ensure that all documentation around the benchmark plan aligns with EHB standards at 156.100, 156.122, and 156.125.

This often includes:

- Identification and removal of potentially discriminatory language (156.100 and 156.125)
- Alignment of prescription drug formulary with requirements at 156.122
  - This often includes adding drugs so that there is one drug in every United States Pharmacopeia (USP) category and class
- Removal of any non-benefit language, utilization management, and issuer-specific identifications on the materials
- Any other changes requested by CMS

PROPOSED Federal Regulation Changes Effective BY2027

Goal: Reduce burden and increase flexibility

- As part of the 2025 Proposed Notice of Benefit and Payment Parameters, HHS proposes several key changes to the EHB benchmark plan update process
  - Revisions to EHB selection process (effective for the 2027 benefit year) reduces burden on application process
  - Adds option for adult dental to be included as an EHB
  - Allows for capture of Large Group changes over time
  - Potential change in drug classification system
  - Currently evaluating best course of action for Alaska

Benefit Pricing & Selection

Benefit Pricing & Selection

Changes to EHB

The following steps were taken to determine which benefits should be added to the new EHB benchmark plan:

- The Alaska Division of Insurance proposed a list of benefits to be considered
- Discussion and public research resulted in additional benefits to consider
- Benefits were priced based on our understanding of the benefit and current coverage. In all cases, a range is provided
- Benefit additions must comply with generosity and typicality tests

Benefit Pricing & Selection

Claim and Premium Impact Considerations

- EHB regulations focus on the change in allowed costs (insurer paid plus member cost share) but the impact to premium is also important for consumers
- Wakely estimated the impacts using proprietary ACA data sets, Alaskan issuer input, additional commercial data, and, where necessary, public sources were also used to assess reasonability or where benefits were not credible in the ACA data
- 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
- Actual impacts included in future premiums by the issuers may vary, potentially significantly, based on the above considerations as well as each issuer's underlying data, assumptions, and fixed administrative costs

Benefit Pricing & Selection

Description of Benefits

The following table shows the benefits that have been considered for the new EHB benchmark plan:

Benefit	Benefit Description
Hearing Exam & Hearing Aids	Annual hearing exam and hearing aids each ear every three years
Acupuncture	Increasing the limit from 12 to 20 visits
Chiropractic	Increasing the limit from 12 to 20 visits
Massage	Increasing the limit from 0 to 20 visits
Temporomandibular Joint Services (TMJ)	Inpatient and outpatient services for treatment of TMJ disorders
Weight Loss Drugs	Wide range of drug options that could be added
Bariatric Surgery	One surgery. Does not include travel costs

Hearing Aids & Exams

Benefit Pricing

Benefit Definition

- Hearing exams and hearing aids for adults and children
- Hearing aids are limited to one per ear every three years

Background

- Adult hearing benefits are not prevalent in the ACA markets, with only 12 states explicitly requiring adult hearing aids to be offered. However, more than half of states require coverage for children. Given discriminatory requirements, many states who only covered child hearing aids, are now also covering adults under the benefit (not a change to EHB when done for discriminatory design purposes).
- While significant variation exists in services covered, limits, and cost-sharing, the most common offering is covering hearing aids every 36 months
- **Under current federal regulations, annual or lifetime dollar limits are not allowed on EHB benefits***

Quality of Life Adds

- Shown to reduce falls and therefore reduce medical costs
- Improved quality of life

*https://www.ecfr.gov/current/title-45/subtitle-A/subchapter-B/part-147/section-147.126

Weight Loss Benefits

Overview

- The State expressed interest in the possibility of adding weight loss treatment benefits to the mandated EHBs, including the coverage of weight loss drugs
- Current Benchmark Plan
  - Includes nutritional counseling visits and drug coverage that can include weight loss benefits
  - Defines number of unique drugs that must be covered for each Therapeutic class
  - This requirement includes classes that contain weight loss drugs. However, specific drugs or NDCs are not and cannot be defined and required by the BMP. Therefore, issuers have final say in specific drug coverage.
- State employer plans reviewed offer more comprehensive weight loss coverage as follows:
  - Bariatric Surgery: 1 treatment per lifetime
  - Weight Loss Programs: Reimbursement for up to three months of approved program participation
- Potential Expansion
  - Require coverage of additional weight loss drugs
  - Add coverage for bariatric surgery

Weight Loss Benefits

Overview

- List prices of glucagon-like peptide 1 (GLP-1) weight loss drugs hover around $1,000/month
  - Ozempic - $936
  - Wegovy - $1,349
  - Mounjaro - $1,023
  - Rybelsus - $936
  - Zepbound (FDA approved 11/8/23) - $1,060
- Rebates on these drugs could be large, bringing the net price much lower than list price
- High demand and supply shortages for these drugs have led to high prices remaining despite increased competition
- Many drug manufacturers are working on a pill version of these drugs that could be cheaper than the injectables, but no prices have been set yet
  - Rybelsus is a low-dose pill, but is approved only for Type 2 diabetes
- Due to patent protections, generic alternatives are unlikely until around 2030

Weight Loss Benefits

Benefit Pricing – Weight Loss Drugs

- Pharmacy EHB changes can be made at the USP Category and USP Class level. Weight loss drugs primarily fall into two USP Categories/Classes:
  - Blood Glucose Regulators, Antidiabetic Agents
  - Anti-obesity Agents, No USP Class
- USP Category/Class “Blood Glucose Regulators, Antidiabetic Agents” is already included in Alaska’s current EHB plan, requiring 25 distinct RxCUIs to be covered. While the USP Category “Anti-obesity Agents” is not specifically listed in Alaska’s current EHB plan, federal regulations result in all carriers to cover at least one drug in each USP Category and Class.
- Options for adjusting the pharmacy EHB requirements to cover additional weight loss drugs include:
  - Requiring additional RxCUIs to be covered in the “Blood Glucose Regulators, Antidiabetic Agents” USP Category/Class
  - Adding a requirement for a specific number of RxCUIs to be covered in the “Anti-obesity Agents” USP Category
- Prescriptions of weight loss drugs are ultimately subject to medical necessity and best practices.

Weight Loss Benefits

Benefit Pricing – Bariatric Surgery

Benefit Definition

- Bariatric surgery – 1 treatment per lifetime

Background

- Bariatric surgery has a couple of notable barriers, including:
  - Location and availability of treatment – there are limited providers in Alaska
  - Travel cost (not incorporated in pricing) – due to the limited number of providers in Alaska, a significant number of surgeries would likely require out-of-state travel

Benefit Selection & Tests

Benefit Pricing & Selection

Description of Benefits

New benefits added 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	0.05%
Chiropractic	Increasing the limit from 12 to 20 visits	0.05%
Massage	Increasing the limit from 0 to 20 visits	0.01%
Temporomandibular Joint Services (TMJ)	Inpatient and outpatient services for treatment of TMJ disorders	0.01%
Nutritional Counseling	Nutritional counseling for obesity, nutrition screening, and GLP1 and GIP drugs	0.07%
Total		**0.19%**

Plan Comparisons

Generosity Test

Comparison of Benefits

1. Identify and gather plan documents for eligible comparison plans for use in CMS testing.

2. Compare benefits between current benchmark plan and plans used for Generosity testing.

3. Determine total benefit difference; the comparison plan with the richest benefits (assuming richer than the current benchmark) dictates the “room” available to modify benefits (Generosity test).

Plan Comparisons

Generosity Test

1. Plans eligible for the generosity test are defined by federal regulations.

2. The Alaska State Employees Association (ASEA) plan was identified as the richest of all options for the generosity test.

3. The ASEA plan effectively places a ceiling on how rich total benefits can be for the new benchmark plan under current Federal regulations.

Generosity Test

Primary Differences Between Current Benchmark and ASEA

Benefit	Current Benchmark Plan	ASEA (Most Generous)	Allowed Cost: ASEA Relative to Current BMP
PT / OT / ST	45 visits per year, combined	Covered, no visit limit	0.06%
Fertility Drugs	Not Covered	Covered	0.09%
Lifestyle Drugs	Not Covered	Covered, quantity limits apply	0.06%
Hearing Aids and Exam	Not Covered	Covered, 1 per ear per 3 years	0.05%
Acupuncture	12 visits per year	20 visits per year, combined (acupuncture + chiro + massage)	0.02%
Chiropractic Care	12 visits per year	20 visits per year, combined (acupuncture + chiro + massage)	
Massage Therapy	Not Covered	20 visits per year, combined (acupuncture + chiro + massage)	
Bariatric Surgery	Not Covered	1 treatment per lifetime; does not cover cost of travel	0.07%
TMJ	Not Covered	Covered - diagnosis, therapy, treatment (surgical and nonsurgical)	0.01%
Total (%)			**0.36%**
Total (PMPM $)			**$5.63**

- Cost estimates are a percentage of total allowed costs
- All pricing estimates in the analysis are based on the ongoing cost of the services. Neither downstream costs (e.g. maternity costs for infertility) nor pent up demand costs are included. Totals may not add due to rounding.
- PMPM ranges were calculated assuming a total allowed Medical and Rx cost of ~$1,564 PMPM. The 2026 allowed PMPM of $1,564 was calculated by trending 2022 Individual and Small Group Alaskan experience using an annual trend of 9.1%. The trend was calculated as the membership-weighted Individual and Small Group annualized trends from 2024 issuer-submitted URRTs in Alaska.

Plan Comparisons

Typicality Test

Comparison of Benefits

1. Identify and gather plan documents for eligible comparison plans for use in CMS testing.

2. Compare benefits between proposed benchmark plan and plans used for Typicality testing.

3. Determine total benefit difference; for the proposed benchmark plan to pass the typicality test, the value of the proposed benchmark plan needs to equal the scope of the Typicality test plan.

Plan Comparisons

Typicality Test

1. Plans eligible for the typicality test are defined by federal regulations.

2. The Federal Government Employees Health Association, Inc. Benefit Plan (GEHA) was identified as the best option for the typicality test.

Typicality Test

Primary Differences Between Proposed Benchmark and GEHA

Benefit	Proposed Benchmark Plan	GEHA
Starting Value – Current Benchmark	100.00%	100.00%
Benefit Differences		
New Benefits in Proposed Benchmark	0.19%	
PT / ST / OT		0.06%
Bariatric Surgery		0.07%
TMJ		0.01%
Hearing Aids & Exam		0.05%
Applied Behavioral Therapy		-0.02%
Acupuncture		0.01%
Total (%)	100.19%	100.19%

- Cost estimates are a percentage of total allowed costs
- All pricing estimates in the analysis are based on the ongoing cost of the services. Neither downstream costs (e.g. maternity costs for infertility) nor pent up demand costs are included. Totals may not add due to rounding.

New Benefits

Description of Benefits

New benefits added 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	0.05%
Chiropractic	Increasing the limit from 12 to 20 visits	0.05%
Massage	Increasing the limit from 0 to 20 visits	0.01%
Temporomandibular Joint Services (TMJ)	Inpatient and outpatient services for treatment of TMJ disorders	0.01%
Nutritional Counseling	Nutritional counseling for obesity, nutrition screening, and GLP1 and GIP drugs	0.07%
Total		**0.19%**

Next Steps

Next Steps

- **Public Comment Period** (Through end of April)
- **Official Submission** (May 1)
- **CMS Review and Decision** (Summer & Fall 2024)
- **New Benchmark Plan Effective 2026 Benefit Year**

THANK YOU

Questions?

Julie Peper, FSA, MAAA
julie.peper@wakely.com

Matt Sauter, ASA, MAAA
matt.sauter@wakely.com

Lisa Winters, ASA, MAAA
lisa.winters@wakely.com

Disclosures and Limitations

Disclosures and Limitations

- **Responsible Actuaries.** Matt Sauter is the actuary responsible for this document. Matt is an Associate of the Society of Actuaries and a Member of the American Academy of Actuaries. He meets the Qualification Standards of the American Academy of Actuaries to issue this document. Julie Peper, Michael Cohen, and Lisa Winters also contributed to this document.
- **Intended Users.** This information has been prepared for the sole use of the Alaska Division of Insurance. 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 Alaska 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 cost estimates rely on available data including Wakely's proprietary ACA data set, Large Group data, AK stakeholder insight, online publications, and third party subject matter experts. 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 or guidance 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.