

PUBLICATION

IOM Report Recommends How HHS Should Define the Essential Health Benefits Package

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Beginning in 2014, the Patient Protection and Affordable Care Act (ACA) will allow individuals and small businesses to purchase qualified health plans (QHPs) through health insurance exchanges (competitive marketplaces where purchasers can compare coverage). ACA requires that these participating QHPs cover the essential health benefits (EHB) package, including general categories of services such as ambulatory patient services, emergency services, and hospitalization. ACA gives the Secretary of the U.S. Department of Health and Human Services (HHS) sole authority to define the details of the EHB package. As provided by ACA, states can choose to require additional benefits but must bear the cost. This could result in many states reconsidering the benefit mandates currently in place.

To assist with this evaluation, HHS asked the Institute of Medicine (IOM) to recommend a process that would help HHS do two things: 1) define benefits that should be in the EHB; and 2) update the benefits to take into account advances in science, gaps in access, and the impact of any benefits on cost.

On October 7, 2011, IOM released a report recommending how the Secretary of HHS should determine and update the EHB called for in ACA.

Guidance by the Secretary on the definition of the EHB package will determine the minimum benefit package that must be offered to individuals and small employers by QHPs, and therefore, IOM's recommendations could have a direct impact on the scope of the benefits for many Americans. Arguing that plans must be affordable for the small firms and individuals who will be principal customers for the exchange, the report says its comprehensive services should be balanced with its potential cost. Among other recommendations, IOM suggested that the initial EHB package should be identical to the scope of benefits and design provided under a typical small employer plan in today's market. This is a tall order given the differing state-mandated benefits. Once a preliminary EHB plan is developed, IOM recommends the package be adjusted so that the expected national average premium of the EHB package is actuarially equivalent to the average premium that would have been paid by small employers in 2014 if ACA had not been enacted.

It is expected that the Secretary of HHS will have the initial benefit package defined by May 1, 2012. [Click here](#) to access the full IOM report.

If you wish to discuss any planning related to the EHB package or any other ACA-related questions, please contact your Baker Donelson attorney or policy advisor.