

What You Need to Know

Essential Health Benefits: More Comprehensive, But More Expensive Coverage for Individuals, Small Businesses

Under the health reform law, health plans are required to provide a certain set of minimum benefits. The law outlines 10 general categories of benefits that are to be used as a benchmark when determining what qualifies as an “essential health benefits package.” However, these categories go beyond the coverage that many individuals and small businesses purchase today – meaning millions of Americans will have to “buy up” to meet the additional coverage requirements.

Starting January 1, 2014, millions of people will be required to purchase health insurance that is more comprehensive – and more expensive – than they currently have.

- The [CBO found](#) that premiums would increase because policies “would cover a substantially larger share of enrollees’ costs for health care (on average) and a slightly wider range of benefits.”
- MIT’s Jonathan Gruber, a respected economist and consultant to the Obama Administration, [estimated](#) that “**a 10 percent rise in the cost of the essential benefits package would increase the cost of government subsidies by 14.5 percent, or \$67 billion**, while reducing the share of the insured by 4.5 percent, or 1.5 million, through 2019.”
 - Gruber went on to add that “HHS cannot both make the plans extremely generous, and also make them affordable so that they cover millions of Americans. Those goals contradict each other.”

States should be given [maximum flexibility](#) to create the most affordable coverage options for consumers and employers in their states.

- Upon final review and approval of benefits plans, is vital that the final essential health benefits requirement “[balance comprehensiveness, affordability, and State flexibility](#)” to ensure coverage is as affordable as possible.

In addition to essential health benefits, the law imposes other minimum coverage requirements, some of which have already gone into effect, which will further drive up the cost of health care coverage.

- **Minimum actuarial value:** The reform law establishes different tiers of coverage that will be sold in the new exchanges based on the “[actuarial value](#)” of a health insurance policy. The most affordable tier, known as the “bronze” tier, will require a minimum actuarial value of 60 percent – which likely represents a higher actuarial value than many plans purchased today in the individual market which, in turn, would result in higher premiums for those plans.

- **New Benefit Mandates:** The law also imposes other benefit mandates, some of which have already gone into effect. These include first-dollar coverage for preventive care, no annual limits on coverage, and no lifetime limits on coverage. All of these benefits will of course incur additional costs that will be reflected in the premiums people are charged.

Additional resources on the Essential Health Benefits:

- **AHIP Issue Brief: [The Essential Benefits Package—Ensuring Adequate Coverage While Preventing Cost Increases for Individuals, Employers and Taxpayers](#)**
- **[Essential Health Benefits Coalition:](#)** Broad-based organization representing large and small employers from various sectors of the U.S. economy, pharmacy benefit managers, and health plans operating in every state. The Coalition is committed to adoption of an essential health benefits package that is affordable and flexible in order to better enable employers and individuals to obtain and maintain health care coverage.