



**OFFICE OF THE GOVERNOR
STATE OF COLORADO**

August 31, 2012

To: Interested Stakeholders

RE: Draft Recommendation for Stakeholder Input

We are pleased to present our draft recommendation for Colorado's EHB Benchmark plan that will be required as the basis for individual and small group health plans in and out of the Exchange. This letter outlines the draft recommendation and considerations. We will be taking public comment on this draft recommendation through September 10 at ehb@dora.state.co.us.

Background

Beginning in 2014, individual and small group health plans will be required to offer a standardized benefit package based upon a benchmark plan. A benchmark plan must include benefits in ten categories required under federal law with the benefits being defined reflecting a "typical employer plan." This benchmark plan will be used for two years. The federal government will determine what the benchmark plan will be beginning in 2016.

In December 2011, the Center for Consumer Information and Insurance Oversight (CCIIO) issued guidance for states around selecting a benchmark plan. The guidance outlined a process by which states were asked to select a benchmark plan from a set of existing health plans already in the state's insurance market and submit a recommendation for the selected plan to CCIIO by third quarter 2012.

The benchmark recommendation sets forth the benefit package (also known as the benefit design) to be used by all carriers offering Qualified Health Plans in the Colorado Health Benefit Exchange and in Colorado's non-Exchange insurance marketplace starting in 2014. Therefore, this recommendation extends only to the benefit package or benefit design to be covered by a health plan. The recommendation specifically does not extend to provider networks, cost-sharing, or administrative structures of insurance carriers.

Recommendation

The recommended benchmark plan is Colorado's largest small group plan, Kaiser Ded/CO HMO1200D. This plan includes benefits in all ten federally required benefit categories and, as the largest small group plan in Colorado, meets the requirement to reflect benefits in a typical employer plan.

Recommendation Process

Objectives considered in making the recommendation included:

- Ensuring state-mandated benefits were included to avoid additional cost to the state and to maintain consistency with the will of the Colorado legislature;
- Providing coverage in each of the ten required statutory categories;
- Limiting disruptions in Colorado’s insurance marketplace;
- Promoting carrier and consumer participation in the market; and
- Balancing benefit comprehensiveness and affordability.

Further, the discussion and analysis leading to the recommendation included evaluation of the impact of certain benefits on the overall cost of a benchmark plan and the impact of the benchmark selection on the small group and individual markets and consumers.

The array of options for the selection of Colorado’s benchmark plan included three of the largest small group plans in the state, two of the largest state employee health plans, the three largest federal employee health plans, and the largest health maintenance organization (HMO) plan offered in the state’s commercial market by enrollment. These plans are listed in the attached EHB Benchmark Plan Comparison Chart.

States do not have the option to create a benchmark “from scratch,” but must select from existing benefit designs. There will continue to be some variation among plans and benefits in the marketplace, and forthcoming guidance will outline the process by which carriers may alter benefits. Based on existing guidance, carriers will have to provide benefits in the same ten categories that are “substantially equal” to benchmark plan benefits (based on actuarial value).

To arrive at the benchmark selection, we engaged in a public process that included: a public webinar outlining the process; two public meetings on Wednesday, July 18, at National Jewish Health and Tuesday, July 31, at the History Colorado Center; and public comment received through Sunday, August 5.

After reviewing our established objectives and public comments, the Kaiser Ded/CO HMO1200D (the largest small group plan) became the preliminary benchmark plan recommendation. The federal employee benefit plans were eliminated due to the richness of the plans and their lack of coverage or specificity for certain Colorado-mandated benefits. Similarly, the largest commercial HMO and state employee plans were removed from consideration because they represent benefit packages available in the large group marketplace with additional benefits and costs that could increase pricing in the individual and small group marketplaces. The remaining three largest small group plans were then reviewed and analyzed to reach the balance between benefits and costs for selection as the benchmark benefit package. Public comments and stated plan preferences were reviewed in detail, considered, and support the benchmark selection recommendation.

Supplemental Benefits

Certain benefits are required under federal law that are not present in most benefit designs. These include pediatric dental and vision benefits and coverage of habilitative services. According to guidance, the plan is to be supplemented with certain benefits required under federal law. The following benefit-specific recommendations are all contingent on the details of forthcoming guidance, and should be considered preliminary recommendations:

- Pediatric Dental – Options for a supplemental dental package included Colorado’s Child Health Plan Plus (CHP+) dental services benefit and the pediatric dental benefit under the federal employee health benefit plans. We recommend the CHP+ package because it is already utilized in Colorado and would provide seamless coverage for children without much disruption in the delivery of these services in the Colorado marketplace.
- Habilitative Services – While these services have not yet been defined through guidance, CCIIO has indicated these services may be included in a benchmark plan by offering them at parity with existing rehabilitative benefits. We recommend defining “parity” to create a habilitative services package similar to rehabilitative services covered. There is expected to be additional federal clarification about whether parity is additive or a combined benefit so a final decision on this point is pending.

As a related issue, several Colorado-mandated benefits currently include dollar limits that are prohibited beginning in 2014. We are evaluating these benefits in a manner consistent with the objectives listed above and plan to offer options that transition these benefits to actuarially equivalent benefits permitted under federal law.