

Health experts struggle with the question, 'What's an essential benefit?'

By: DEIRDRE SHESGREEN | March 9, 2011

WASHINGTON--When it comes to health insurance, deciding what is an essential benefit--and what isn't--is a political and medical minefield, with far-reaching consequences.

Should health insurance plans be required to cover chiropractic visits? Should there be a limit on the number of physical therapy sessions a patient gets? What about cancer treatments?

Health care policymakers and [medical experts](http://www.iom.edu/Activities/HealthServices/EssentialHealthBenefits.aspx) (<http://www.iom.edu/Activities/HealthServices/EssentialHealthBenefits.aspx>) are struggling with these questions right now. As part of federal health reform, the Department of Health and Human Services is required to design an "essential benefits" package.

That definition will have direct implications on the kind of health insurance coverage available through the state-based insurance exchanges, to be set up in 2014. Any insurer that wants to participate in the exchange will have to offer at least the basics, as set out in HHS's definition. And all Medicaid programs, the state-federal insurance plan for the poor, must cover these services by 2014.

The health reform law [lists ten categories](http://www.healthcare.gov/glossary/e/essential.html) (<http://www.healthcare.gov/glossary/e/essential.html>) that HHS must include as essential, such as prescription drug coverage and emergency hospitalizations. But HHS has broad discretion within those categories to require generous coverage or allow limits. And HHS also has a free hand to add in other health care services, from treatments for autism to infertility.

"It's a Herculean task," Mark Fendrick, a doctor and health policy expert at the University of Michigan, said of crafting the essential benefits package. It's like answering "Talmudic questions," full of ethical and moral quandaries for which there are not firm or easy solutions, he said.

It's also a debate being closely watched in states capitals, where governors are trying to determine whether they will set up their own health insurance exchanges or let the federal government run the program.

Kathleen Nolan, the top health care advisor at the National Governors' Association, said she's had several governors tell her that the definition of essential benefits will be the "the linchpin" in their decision on whether to do a state exchange or not.

"If they can't make it fit their needs and their environment and their programs, then they're just signing up for something they're not going to be able to sustain," she said. "A lot of governors are very interested in running this exchange, but they have to be able to do it in their way. This is one of the most critical issues" in determining that.

At a conference Tuesday sponsored by the health insurance industry, Nolan and others said HHS should aim for a careful balance between an inclusive package and an affordable, flexible one.



MIT's Jonathan Gruber: 'There's no easy answer'

There's a constituency for every disease, and lobby groups pressing for a range of mandates--from rich maternity care coverage to expansive mental health services to expensive kidney transplants.

But since the health reform law requires people to buy insurance, Fendrick said, regulators have to be mindful of the price tag their essential benefits package will carry.

"It's important to make sure the essential benefits package is one we can all afford... even if there's some very difficult and controversial exclusions," he said.

Jonathan Gruber, a health economist at Massachusetts Institute of Technology, said an overly expansive definition of essential benefits could undercut the main goal of health reform: getting more of the uninsured covered.

He noted that although there is a mandate to buy insurance, individuals are eligible for an exemption if the cost of a plan exceeds 8 percent of their income.

"There's both a moral and political obligation to make insurance affordable," Gruber said at the conference, sponsored by America's Health Insurance Plans. "This directly conflicts with our desire to make insurance generous. There's no easy answer here."

But while the answers may not be easy, he said, the math involved in these decisions is pretty straightforward.

"If you want to add a chiropractor benefit to the essential benefits package... an actuary can tell you what that's going to cost. Is that going to add \$1 a month, \$2 a month, \$5 a month?"

Then regulators will have to ask themselves whether it's worth making everyone pay \$5 or so more a month in premiums so make sure they have that benefit. He noted that the essential benefits package will not only impact the cost of private insurance, but also of government programs.

"The easiest way to avoid that [debate over cost vs. benefit] is to not put numbers on it. The easiest way is to say, 'Gee, we just have to cover this. It's a good thing to do'," he said. "But we have to avoid that kind of sloppy thinking, put numbers on all these decisions, and then make politicians face up to these trade-offs."

He knows something about trade-offs. In addition to his research at MIT, Gruber served on the board of Massachusetts Health Connector, the state's health insurance exchange, a precursor to federal reform. Gruber was involved in requiring, for example, that insurers in Massachusetts cover prescription drugs, among other decisions.

He said defining that state's benefits taught him another lesson: Once government provides a benefit, it's very hard, if not impossible, to take it away.

"It's hard to reverse if you overreach," Gruber said. Another reason to start small.

Ron Pollack, executive director of Families USA, a consumer advocacy group, agreed that federal regulators should be careful, aiming to keep costs low and flexibility high. "But that doesn't mean that it should be a poor benefit package," he said.

Pollack said he's "deeply concerned" that regulators will set "arbitrary limits" on things like the number of days a patient can receive in-patient hospital care or the number of prescriptions they can get. "Those are poorly advised ways to go," he said. And they would undercut another key element of health care reform--curbing industry abuses that have led to unjust denials of needed patient care.

No matter what definition HHS comes up with, he and others said, it needs to be updated regularly to reflect changing medical research and emerging health care needs.

HHS has tapped the [Institute of Medicine \(http://www.iom.edu/Activities/HealthServices/EssentialHealthBenefits.aspx\)](http://www.iom.edu/Activities/HealthServices/EssentialHealthBenefits.aspx) to come up with some preliminary guidelines on essential benefits. The IOM is expected to release its report this fall, with HHS likely to follow up with a proposed outline of benefits before the end of the year.