

Sanford Health Plan
 PO Box 91110
 Sioux Falls, SD 57109-1110
 (605) 328-6868
 (877) 305-5463
sanfordhealthplan.com



**Comments Regarding Essential Health Benefits
 North Dakota Health Care Reform Committee
 February 2, 2012**

Chairman Kaiser and members of the committee, my name is Lisa Carlson and I'm the Director of Planning and Regulation for Sanford Health Plan. Thank you for the opportunity to comment on the Essential Health Benefits Bulletin that was released by the U.S. Department of Health and Human Services on December 16, 2011 as it compares to small group and individual products sold in the North Dakota market.

While Sanford Health Plan appreciates the flexibility the Bulletin provides to the States, it is important to recognize the regional differences in health care coverage and the impact that the choice of Essential Health Benefits will have on all non-grandfathered health plans sold in the existing individual and small group market.

The states have been charged with choosing one of four benchmark options to serve as the standard for qualified health plans:

- (1) the largest plan by enrollment in any of the three largest small group insurance products in the State's small group market;
- (2) any of the largest three State employee health benefit plans by enrollment;
- (3) any of the largest three national FEHBP plan options by enrollment; or
- (4) the largest insured commercial non-Medicaid Health Maintenance Organization (HMO) operating in the State.

Sanford Health Plan encourages the State to consider how the benefits vary in scope within these four benchmark types. Specifically, the State Employee Uniform Group Insurance Program appears to have comprehensive coverage but its status as the largest group plan in the state, combined with the fact that it may be subject to political or labor negotiations, may make it a less stable and less relevant option to use as a benchmark plan for setting essential health benefits for the small group and individual market. Similarly, using FEHB Plans as the benchmark would not be illustrative of the benefits purchased in the small group and individual market. Sanford Health Plan's experience in administering the FEHB Plans in South Dakota and Iowa is that benefits are more generous, and hence more costly, than those sold in the small group and individual market. Therefore, of these four options Sanford Health Plan supports #1 and #4 because they will most closely reflect the benefit plans offered to small employer groups and individuals.

With regards the state mandates, it's important to be cognizant of the fact that the state is fully responsible for the costs of benefits in the Exchange beyond the Essential Health Benefits level for subsidy recipients. Therefore current state mandated benefit laws should be carefully reviewed and only included in the Essential Health Benefits based on medical evidence-based reviews and cost analyses.

There appears to be some confusion on whether all the services categorized as an Essential Health Benefit translates into providing services without any benefit limitations (for example annual visit limits or quantity limits). It is common practice in today's small group and individual products to have such limits in place. Benefits limits are based on medical necessity reviews and evidence-based medicine and provide benefit design flexibility which keeps coverage affordable for members. If continued use of such limits is no longer permitted it will increase the cost of care and have a negative impact on products sold in the small group and individual market.

With respect to prescription drug coverage, Sanford Health Plan is concerned that the Bulletin refers to using Medicare as the "standard" for prescription drug benefits. Unlike the small group and individual market which is targeted to working families, kids and young adults, Medicare is designed to serve the elderly and disabled. Using Medicare as the standard for prescription drug benefits lacks relevance when it comes to the flexibility and responsive the private sector has displayed with regards to controlling prescription drug costs (i.e. tiered formularies, step therapy services, medical management, specialty drug distribution).

Balancing cost and benefits will be critical as the Essential Health Benefit design will affect individuals who are not eligible for subsidies and small employer groups and individuals purchasing coverage both inside and outside of the exchange. They may not be able to afford coverage (or worse, go without coverage) if the Essential Health Benefits design is too broad or too costly.

Thank you for your time and consideration of these comments.