



Affordable Care Act

Federal Standardized Health Insurance Plans Could Improve Access to Care without Raising Premiums

All health insurance marketplaces should offer affordable plans that provide upfront help covering the cost of basic outpatient care, such as primary care, specialty care, and prescriptions. This ensures that families who can't afford the full cost of such care on their own have plan options that help them get the care they need.

In 2017, insurers in the federally facilitated marketplaces² will be encouraged to sell new “standardized” silver plans that make basic outpatient care more affordable by helping cover the costs of that care *before* people pay off their health plan's deductible. Now, new original research shows that health insurance companies can offer the federal standardized silver plans at premium levels that are comparable to premiums for current silver marketplace plans that cover little to no care before the deductible.

High Deductibles Pose a Barrier to Care

Health insurance plans with high deductibles are becoming increasingly common in both job-based health insurance and individually purchased insurance.³ In 2014, about half of adults with individually purchased insurance had an individual deductible of at least \$1,500.⁴

This rise in high-deductible health plans is troubling: There is growing evidence that high deductibles make it difficult for families to afford and get the care they need. For example, recent research found that high-deductible plans lead people to use less care, including important treatments like medications and services that help them manage chronic conditions.⁵ Moreover, among adults with individually purchased insurance in 2014 (including those with marketplace insurance and those with insurance purchased outside the marketplace), nearly one in three people with high deductibles reported not getting needed care because they couldn't afford it.⁶

To combat the barriers to care posed by high-deductible health plans, more plans should cover the cost of at least basic outpatient care *before* the deductible. This ensures that people can get the basic care they need to help treat illness early, manage chronic conditions, and stay healthy.

Covering basic outpatient care pre-deductible is particularly important for silver plans, which are the most popular type of marketplace plans and which tend to have high deductibles. In 2016, the average deductible for silver plans is more than \$3,000 for an individual.⁷ This is problematic because the majority of people who have marketplace insurance are lower- and middle-income consumers, who often struggle to afford the full cost of care on their own.⁸ There is additional help with out-of-pocket costs for many of

Health insurance companies should offer marketplace plans that make the cost of basic outpatient care—like primary care, specialty care, and prescription drugs—affordable to consumers. By helping cover this care before people meet their deductible, the new federal standardized silver plans will do just that.

New, original research¹ undertaken by Families USA with Milliman actuaries shows that insurers can offer the federal standardized silver plans with premiums that are comparable to current silver marketplace plans that cover little to no services before the deductible. Offering these standardized plans could improve access to outpatient care without driving up premiums.

What are “standardized plans”?

Standardized plans are plans designed by a health insurance marketplace (either a state-based marketplace or the federal government for federally facilitated marketplaces) that define the cost-sharing for all or most types of covered services. Marketplaces can choose to design standardized plans that cover care before the deductible. Marketplaces can also choose whether they require or encourage insurance companies to sell these plans.

The benefit of having standardized marketplace plans that cover outpatient care pre-deductible is that consumers have plan options from different insurers that help pay for this care.

these people: Those with incomes under 250 percent of the federal poverty level (\$50,400 for a family of three in 2016) are eligible for federal cost-sharing reduction subsidies. However, even with this financial assistance, many people with silver plans face deductibles of more than \$1,000.⁹

Unfortunately, not all marketplaces have silver plans that cover a broad range of outpatient services before people meet their deductible. For example, many silver plans in the federally facilitated marketplaces cover primary care visits and generic drugs before the deductible, but it is much less common for them to help cover the cost of specialty care and brand-name prescriptions pre-deductible.¹⁰

New Standardized Plans in Federally Facilitated Marketplaces Could Improve Access to Outpatient Care

The federal government has taken steps that could help expand the number of plans in the federally facilitated marketplaces that help cover the cost of basic outpatient care before the deductible: For the 2017 plan year, the Department of Health and Human Services (HHS) developed a federal standardized plan for every metal level except platinum-level plans.¹¹

For these standardized plans, HHS defined what consumers must pay in cost-sharing for many

Services Covered by the Federal Standardized Silver Plan Pre-Deductible

PRIMARY CARE VISITS 

SPECIALTY CARE VISITS 

ALL DRUGS 

MENTAL HEALTH VISITS 

URGENT CARE 

The research we undertook with Milliman actuaries found that the federal standardized silver plans have premiums that are similar to the premiums for the low-cost silver plans in the three comparison states. This provides further evidence that insurers can offer the federal standardized plans without substantially increasing premiums.

categories of covered benefits, including most types of outpatient and inpatient services and all tiers of prescription drugs. When creating the *standardized silver plans*, HHS designed cost-sharing so that the plans help cover the cost of numerous outpatient services before the deductible. For example, the new standardized silver plan (and the three new silver cost-sharing reduction plans) helps cover the cost of primary and specialty care office visits; urgent care; mental health and substance use disorder office visits; and all tiers of prescription drugs, including brand-name drugs.

These plans could help improve access to care for consumers who currently have few or no affordable plan options that help cover these services before the deductible. However, the federal government is only *encouraging* insurers in federally facilitated marketplaces to sell these standardized plans (particularly the standardized silver and silver cost-sharing reduction plans).

It is critical that insurers in all 34 states with federally facilitated marketplaces offer the standardized plans in 2017 so that consumers in these states have access to these plan options. In 2018 and future years, we urge the federal government to *require* insurers in these states to offer the federal standardized plans. This type of requirement is not new: Seven state-based marketplaces have already developed standardized plans that insurers are *required* to sell.¹²

Federal Standardized Plans Make the Upfront Cost of Care More Affordable without Raising Premiums

Families USA's research examined whether the federal standardized plans would have competitive premiums while still covering outpatient care on a pre-deductible basis. We engaged Milliman actuaries G. Dieguez and B. Pyenson for this analysis. Milliman is an independent actuarial firm whose work includes helping insurers design and price plans in the marketplaces.

Milliman actuaries compared premium estimates for the federal standardized silver plans to premium estimates for existing non-standardized silver plans in North Carolina, Pennsylvania, and Virginia. All three of the silver plans in these states cover little or no care before the deductible and were either the least expensive or second-least expensive silver plan in the market in 2016. (See the Methodology on page 8 and Milliman’s full technical report at <http://www.milliman.com/insight/2016/The-impact-of-pre-deductible-features-in-select-marketplaces/> for more details.)

The research we undertook with Milliman actuaries found that the federal standardized silver plans have premiums that are similar to the premiums for the low-cost silver plans in the three comparison states. This provides further evidence that insurers can offer the federal standardized plans without substantially increasing premiums.

Across all the regional and national premium estimates we examined, the average premiums for the federal standardized silver plans would be within 5 percent (in either direction) of the average premium of the three state silver plans Milliman compared them to. In some cases, the premiums for the standardized silver plans were slightly higher; in other cases, they were slightly lower. (See Table 1.)

Table 1: Difference in Premiums
*for the Federal Standardized Silver Plan vs. State Comparison Plans**

This table shows the percent difference between the estimated premium for the federal standardized plan compared to the estimated premiums for the three state comparison plans if those plans were offered in different parts of the country. It shows the difference in the estimated premiums if each plan was sold nationwide. It also shows the difference in estimated premiums if they were sold in three geographic regions: the Mid-Atlantic, the South-Atlantic, and the Southwest.

A negative % indicates that the estimated premium for the federal standardized plan was less than the estimated premium for the comparison plan.

NATIONWIDE	MID-ATLANTIC	SOUTH-ATLANTIC	SOUTHWEST
Difference in Premiums for the Federal Standardized Silver Plan vs. North Carolina Comparison Plan			
0.1%	0.4%	1.1%	1.0%
Difference in Premiums for the Federal Standardized Silver Plan vs. Pennsylvania Comparison Plan			
-2.6%	-4.1%	-3.0	-2.5
Difference in Premiums for the Federal Standardized Silver Plan vs. Virginia Comparison Plan			
3.2%	4.3%	4.9%	5.0%

**Based on 2016 marketplace benefits (projected to 2017) and federal standardized silver plan benefits.*

Sources: Estimates of nationwide premiums are based on health care costs nationwide. Estimates of regional premiums are based on the health care costs of that geographic region. Estimated premiums are based on claims simulations for plans sold nationwide, as well as for plans sold in the Mid-Atlantic, South-Atlantic, and Southwest regions. See the Methodology on page 8 for details.

Table 2: What’s Covered before the Deductible?
Federal Standardized Silver Plan vs. Comparison Silver Plans

	Federal Standardized Silver Plan*	Comparison Silver Plans		
		NORTH CAROLINA	PENNSYLVANIA	VIRGINIA***
Deductible**	\$3,500	\$5,000	\$2,100	\$4,200
Primary Care Visits	✓	✓		✓
Specialty Care Visits	✓			✓
Generic Drugs	✓	✓		
Brand-Name Drugs	✓			
Specialty Drugs	✓			

* The federal standardized silver plan also covers mental health/substance use disorder visits and urgent care before the deductible. This analysis did not assess comparison plans for coverage of these services.

** Deductible amounts were adjusted to estimate the likely increase in plan deductibles from 2016 to 2017.

*** This plan has a separate drug deductible of \$260.

Table 1 shows Milliman’s estimates of what the difference in premiums would be for the federal standardized plan vs. the three state comparison plans if sold nationwide, as well as if they were sold in different geographic regions of the country: the Mid-Atlantic, South-Atlantic, and Southwest.

In addition to having competitive premiums, the upfront costs for basic outpatient care (primary and specialty care office visits and all tiers of prescription drugs) were lower in the federal standardized silver plans. (See Table 2.) For example, the Pennsylvania plan that we used for comparison does not help cover the cost of any doctor visits or medications until a consumer pays a \$2,100 deductible. In contrast, the federal standardized silver plans help pay for primary and specialty care and all prescription drugs before the deductible—and *at a somewhat lower premium.*

Insurers in Federally Facilitated Marketplaces Should Offer the Standardized Plans

Making the federal standardized silver plans available in all 34 states with federally facilitated marketplaces will help ensure that consumers in these states can buy a plan that helps them afford outpatient care. As our findings show, premiums for the standardized silver plans could be priced at about the same level as premiums for existing low-cost silver plans now on the marketplace that cover little to no care before the deductible.

We call on insurance companies in all 34 federally facilitated marketplaces to offer the federal standardized silver plans in 2017 and beyond. In future years, the federal government should *require* insurers in these states to offer the federal standardized plans. This will ensure that consumers in all these states have guaranteed access to plans that help them obtain vital care.



Our findings show that premiums for the federal standardized silver plans (which cover basic outpatient care before the deductible) could be priced at nearly the same level as low-cost silver plans currently on the marketplace (which cover little to no care pre-deductible). Insurance companies in all federally facilitated marketplaces should offer the federal standardized silver plans in 2017 and beyond.

Methodology

Milliman is a nationally recognized actuarial and consulting firm that provides actuarial services to some of the nation's largest insurers. We contracted with Milliman actuaries G. Dieguez and B. Pyenson to measure the relative impact on premiums of offering the federal standardized silver plans compared to silver plans that are currently offered in the marketplaces that cover no or limited care before the deductible.

Milliman compared the federal standardized silver and 87 percent silver cost-sharing reduction plans to three sample silver plan designs (and the 87 percent silver cost-sharing reduction versions of these plans) in the federally facilitated marketplaces that covered no or limited care before the deductible. Comparison marketplace plan designs were selected from among the least expensive and second-least expensive silver plans within metropolitan areas of states with high enrollment in 2016, based on the 2016 enrollment report from the Department of Health and Human Services Office of the Assistant

Secretary for Planning and Evaluation. This approach was taken to capture plans that were more likely to have high enrollment per region, as marketplace enrollment often clusters around the lowest and second-lowest cost silver plans. Plan designs from North Carolina (2016 Aetna Leap Everyday-Carolinas HealthCare System), Pennsylvania (2016 United Healthcare Silver Compass HSA 2000), and Virginia (2016 Optima Health Plan Optima Fit Silver 4000) were chosen for this analysis.

Using a claims simulation approach, Milliman actuaries modeled the average monthly member cost-sharing and the average monthly plan cost under the federal standardized plan, as well as under the three state comparison plans, to derive an estimate of the average monthly premium for each plan design. Milliman's model simulated the portion of health care expenses paid by enrollees and the health plan under the specified plan's cost-sharing features. This simulation was based on a large sample of medical and pharmacy claims data from Milliman's database, trended to 2017.

The simulation was run on a sample of claims from more than 200,000 commercial members who were chosen to be representative of the region and to have high-quality (fully detailed) claims and exposure data.

Milliman provided national average premium estimates using nationwide claims data for individually purchased plans (plans purchased in the non-group market), as well as regional estimates of average premiums, based on commercial market claims data from the mid-Atlantic, south-Atlantic, and Southwest regions. Two of these markets correspond to regions occupied by the marketplace plans selected for the analysis: mid-Atlantic (which includes Pennsylvania) and south-Atlantic (which includes North Carolina and Virginia). The Southwest region was chosen for illustrative purposes. See Milliman's full technical report, *The Impact of Pre-Deductible Features in Select Marketplaces*, available online at <http://www.milliman.com/insight/2016/The-impact-of-pre-deductible-features-in-select-marketplaces/>.

Endnotes

¹ G. Dieguez and B. Pyenson, Milliman, *The Impact of Pre-Deductible Features in Select Marketplaces*, available online at <http://www.milliman.com/insight/2016/The-impact-of-pre-deductible-features-in-select-marketplaces/>.

² Federally facilitated marketplaces are state health insurance marketplaces that are operated and governed by the U.S. Department of Health and Human Services (HHS) on behalf of a state.

³ Kaiser Family Foundation, *2015 Employer Health Benefits Survey* (Washington, DC: Kaiser Family Foundation, September 2015), available online at <http://kff.org/health-costs/report/2015-employer-health-benefits-survey/>. Individually purchased insurance is insurance that is purchased in the non-group market.

⁴ Lydia Mitts and Cheryl Fish-Parcham, *Non-Group Health Insurance: Many Insured Americans with High Out-of-Pocket Costs Forgo Needed Health Care* (Washington, DC: Families USA, May 2015), available online at http://familiesusa.org/sites/default/files/product_documents/ACA_HRMSurvey%20Urban-Report_final_web.pdf.

⁵ Zarek C. Brot-Goldberg, Amitabh Chandra, Benjamin R. Handel, and Jonathan T. Kolstad, *What Does a Deductible Do? The Impact of Cost-Sharing on Health Care Prices, Quantities, and Spending Dynamics: Working Paper No. 21632* (Cambridge, MA: National Bureau of Economic Review, October 2015); Amelia Haviland, Matthew Eisenberg, Ateeve Mehrotra, Peter Huckfeldt, and Neeraj Sood, *Do “Consumer-Directed” Health Plans Bend the Cost Curve over Time? Working Paper No. 21031* (Cambridge, MA: National Bureau of Economic Review, March 2015).

⁶ Lydia Mitts and Cheryl Fish-Parcham, op. cit.

⁷ Matthew Rae, Larry Levitt, Gary Claxton, Cynthia Cox, Michelle Long, and Anthony Damico, *Patient Cost-Sharing in Marketplace Plans, 2016* (Washington, DC: Kaiser Family Foundation, November 2015), available online at <http://kff.org/health-costs/issue-brief/patient-cost-sharing-in-marketplace-plans-2016/>.

⁸ Office of the Assistant Secretary for Planning and Evaluation, *Health Insurance Marketplaces 2016 Open Enrollment Period: Final Enrollment Report* (Washington, DC: U.S. Department of Health and Human Services, March 2016), available online at <https://aspe.hhs.gov/sites/default/files/pdf/187866/Finalenrollment2016.pdf>.

⁹ Sara Collins, Munira Gunja, Petra Rasmussen, Michelle Doty, and Sophie Beutel, *Are Marketplace*

Plans Affordable? Consumer Perspectives from the Commonwealth Fund Affordable Care Act Tracking Survey, March-May 2015 (Washington, DC: Commonwealth Fund, September 2015), available online at http://www.commonwealthfund.org/~media/files/publications/issue-brief/2015/sep/1838_collins_are_marketplace_plans_affordable_tb.pdf.

¹⁰ Caroline F. Pearson and Elizabeth Carpenter, *Proposed Exchange Standardized Benefit Designs Expand First-Dollar Coverage for Services and Drugs* (Washington, DC: Avalere Health, January 2016), available online at <http://avalere.com/expertise/life-sciences/insights/proposed-exchange-standardized-benefit-designs-expand-first-dollar-coverage>.

¹¹ There is a federal standardized plan for the bronze, silver, and gold metal levels. There is also a federal standardized version of each of the three silver cost-sharing reduction plans, which have lower out-of-pocket costs and are available only to people who qualify for federal financial assistance that lowers the cost-sharing in silver plans. There are a total of six federal standardized plans.

¹² The state-based marketplaces that currently have standardized plans are California, Connecticut, the District of Columbia, Massachusetts, New York, Oregon, and Vermont. Insurers in these states are required to sell their states' standardized plans.

A selected list of relevant publications to date:

Non-Group Health Insurance: Many Insured Americans with High Out-of-Pocket Costs Forgo Needed Health Care (May 2015)

How Health Insurance Companies and Policymakers Can Make Care More Affordable (March 30, 2015)

Designing Silver Health Plans with Affordable Out-of-Pocket Costs for Lower- and Moderate-Income Consumers (May 2014)

For a more current list, visit:

www.familiesusa.org/publications

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