Pros and Cons:

Essential Health Benefits

Rodney L. Whitlock
Vice President, Health Policy
ML Strategies
@RodneyMLS

May 24, 2017
What is insurance?
What is a car?
What is insurance?

Through Essential Health Benefits, the ACA creates a federal definition of insurance.
“There are no solutions, only trade-offs”

Thomas Sowell (1930 - )
How does AHCA change EHB requirements?

- The MacArthur amendment, passed by the House of Representatives, offers a set of waivers from various ACA requirements:
  - Beginning in 2020, states would be permitted to specify their own set of essential health benefits in the individual and small group markets.
  - States can define the categories of benefits that insurers must cover.
The Balancing Act
What is the right balance?

• How much will the federal government require plans to cover for all beneficiaries?

• Who pays for it?

• If you segment risk between low utilizers and high utilizers, can it work?
The Policy Conundrum

A high premium, low deductible policy makes no sense if a low-income beneficiary can't afford it.

A low premium, high deductible policy makes perfect sense for a low-income beneficiary until it doesn't.
Trade-Offs

• About 6.5 million people took the penalty - owing a total of $3 billion in tax penalties.

• About 12.7 million people claimed one or more exemptions from the ACA-coverage mandate.

19.2M
Is 19.2M really Pareto Optimal?