

# Virginia Essential Health Benefit Benchmark Plan Actuarial Report and Certification

Review and Evaluation of Proposed Changes to the Virginia EHB Benchmark Plan for  
Plan Year 2025 Including Changes Regarding Medical Formula and Medically  
Necessary Myoelectric, Biomechanical, or Microprocessor-Controlled Prosthetic  
Devices

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**Prepared by:**

**Amanda Rocha**

**Richard Cadwell, ASA, MAAA**

**Donna Novak, FCA, ASA, MAAA**  
**of NovaRest, Inc.**



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## Executive Summary

### *Project Description*

The Commonwealth of Virginia is interested in updating its Essential Health Benefits Benchmark Plan (EHB-BP). To facilitate this review, the Virginia Bureau of Insurance (BOI) has directed its contracted actuarial firm, NovaRest, to assist in analyzing potential changes to the current Virginia EHB-BP.

The purpose of this report is to provide an actuarial report and an actuarial certification developed by an actuary who is a member of the American Academy of Actuaries, in accordance with generally accepted actuarial principles and methodologies, which affirms:

- That the State's EHB-BP provides a scope of benefits that is equal to, or greater than, to the extent any supplementation is required to provide coverage within each EHB category at 45 CFR § 156.110(a), the scope of benefits provided under a typical employer plan, as defined at 45 CFR § 156.111 (b)(2)(i); and
- That the State's EHB-BP does not exceed the generosity of the most generous among the plans listed in paragraphs 45 CFR § 156.111 (b)(2)(ii)(A) and (B)

NovaRest is an actuarial consulting firm that has extensive experience performing mandated benefit reviews. Donna Novak and Richard Cadwell are Associates of the Society of Actuaries and Members of the American Academy of Actuaries and are qualified to provide this opinion. We have utilized generally accepted actuarial methodologies to arrive at our opinion.

We are providing this report solely for the use of supporting Virginia's proposed changes to its EHB-BP. The intended users of this report are Virginia and those federal agencies to which the application is submitted. The distribution of this report to any other parties does not constitute advice from or by us to those parties. The reliance of other parties on any aspect of our work is not authorized by NovaRest and is done at the other party's own risk.

### *Proposed Changes*

Specifically, Virginia is proposing to revise its current EHB-BP (Anthem Health Plans of VA Premier DirectAccess PPO) to expand the following benefits as described below:

1. Virginia's current EHB-BP covers "special medical formulas which are the primary source of nutrition for covered persons with inborn errors of amino acid or organic acid metabolism, metabolic abnormality or severe protein or soy allergies." Virginia proposes coverage consistent with § 38.2-3418.18 of the Code of Virginia which would add coverage of special oral and enteral medical formulas which are not a primary source of nutrition but a critical source of nutrition for persons with an inherited metabolic disorder.
2. Virginia's current EHB-BP covers "benefits for prosthetics and components when they are Medically Necessary for activities of daily living." Virginia proposes coverage consistent with § 38.2-3418.15:1 of the Code of Virginia which would revise the definition of Medically Necessary to include myoelectric, biomechanical, or microprocessor-controlled prosthetic devices.

### *Conclusion*

COVA Care was one of the nine base-benchmark plan options for Virginia's 2017 plan year EHB selection and represents a Typical Employer Plan. We estimate that COVA Care provides \$0.25-\$0.65 PMPM more expected value at 100 percent actuarial value than the current EHB-BP (Anthem Health Plans of VA Premier DirectAccess PPO). The proposed EHB-BP is the same as the current EHB-BP except that it expands the current coverage as discussed above, which we estimate would increase the expected value of benefits by \$0.37 PMPM at 100 percent actuarial value. Because of this, we believe the scope of benefits of the proposed EHB-BP is equal to that of a Typical Employer Plan.

The Federal Employee Health Benefits Standard Plan (FEHBP) administered by Blue Cross Blue Shield of Virginia was one of the nine base-benchmark plan options for Virginia's 2017 plan year EHB selection and represents the most generous among a set of comparison plans.<sup>1</sup> We estimate the FEHBP offers \$3.41 PMPM more expected value than the current EHB-BP at 100 percent actuarial value. We estimate the expanded coverage would increase the expected value of benefits by \$0.37 PMPM at 100 percent actuarial value.<sup>2</sup> Therefore, it does not exceed the generosity of the most generous among a set of comparison plans.

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<sup>1</sup> <https://www.cms.gov/CCIIO/Resources/Regulations-and-Guidance/Downloads/Final-Example-Acceptable-Methodology-for-Comparing-Benefits.pdf>

<sup>2</sup> <https://www.cms.gov/CCIIO/Resources/Regulations-and-Guidance/Downloads/Final-Example-Acceptable-Methodology-for-Comparing-Benefits.pdf>

## Background

### *Ten Original Plans Considered*

Virginia originally considered nine (9) category plan combinations as potential Benchmark Plans. It considered three (3) small group plans, three (3) state plans, and three (3) FEHBPs. The considerations included the following:

1. Small Group 1 – Anthem Health Plans of VA PPO
2. Small Group 2 – Anthem HealthKeepers HMO
3. Small Group 3 – Optima Vantage HMO
4. State Plan 1 – COVA Care
5. State Plan 2 – COVA Connect
6. State Plan 3 – Kaiser
7. FEHBP – BCBS Standard
8. FEHBP – BCBS Basic
9. FEHBP – Government Employees Health Association (GEHA)

### *Virginia Benchmark Plan Chosen*

The original EHB-BP chosen was the Anthem Small Group PPO Plan KeyCare 30 with KC30 Rx Plan 10 30 50 OR 20 with supplemental pediatric oral and pediatric vision as supplemental categories.<sup>3</sup> Virginia again adopted the Anthem Health Plans of VA (Anthem BCBS) Premier DirectAccess PPO (Anthem Health Plans of VA PPO) as the EHB-BP beginning 2017, with only pediatric dental as a supplemental category.<sup>4</sup>

For more information about the EHB-BP selection please see **Appendix A**.

### *Guidance and Requirements for Changing Benchmark Plans*

CMS is providing states three (3) new options for selection starting in plan year 2020, including:<sup>5</sup>

- Option 1: Selecting the EHB-BP that another state used for the 2017 plan year.
- Option 2: Replacing one or more categories of EHBs under its EHB-BP used for the 2017 plan year with the same category or categories of EHB from the EHB-BP that another state used for the 2017 plan year.
- Option 3: Otherwise selecting a set of benefits that would become the state's EHB-BP.

<sup>3</sup> <https://www.cms.gov/CCIIO/Resources/Data-Resources/Downloads/Updated-Virginia-Benchmark-Summary.pdf>.

<sup>4</sup> <https://www.cms.gov/CCIIO/Resources/Data-Resources/ehb#Virginia>

<sup>5</sup> <https://www.govinfo.gov/content/pkg/FR-2018-04-17/pdf/2018-07355.pdf>

Virginia is opting to choose Option 3: Otherwise selecting a set of benefits that would become the state's EHB-BP. The proposed EHB-BP would cover all the benefits included in the current EHB-BP, except that it would expand current coverage for Medical Formula and Medically Necessary Myoelectric, Biomechanical, or Microprocessor-Controlled Prosthetic Devices.

If a state opts to select a new EHB-BP utilizing any of the selection options at 45 CFR § 156.111(a), the state is required under 45 CFR § 156.111(e)(2)(i) and (ii) to submit an actuarial certification and associated actuarial report from an actuary who is a member of the American Academy of Actuaries in accordance with generally accepted actuarial principles and methodologies.

This actuarial certification and associated actuarial report must affirm that the State's EHB-BP:<sup>6</sup>

- Provide a scope of benefits equal to, or greater than, to the extent any supplementation is required to provide coverage within each EHB category at 45 CFR § 156.110(a), the scope of benefits provided under a typical employer plan, as defined at 45 CFR § 156.111(b)(2)(i), and
- Not exceed the generosity of the most generous among a set of comparison plans, as defined at 45 CFR § 156.111(b)(2)(ii).

## Expected Value of Benefits to be Added to the new EHB Benchmark Plan

NovaRest analyzed the impact of expanding coverage for Medical Formula and Medically Necessary Myoelectric, Biomechanical, or Microprocessor-Controlled Prosthetic Devices. We estimate the total expected value of the benefits to be added to the current EHB-BP as \$0.37 PMPM at 100% actuarial value, as discussed below. More information on the methodology can be found in **Appendix B**.

Two clarifications were made to the EHB-BP document that we do not believe represent additional benefits.

- a. Remote patient monitoring in the home health benefit. The BOI views this addition as an additional modality for rendering a service that is already covered under the home health services benefit that is covered under the 2017 EHB-BP. This modality allows the covered benefits of home health care patient monitoring to be provided remotely. See Section [38.2-3418.16](#) of the Code of Virginia.
- b. Donor Benefits. The section on Donor Benefits was re-written to simplify the coverage description and to use generic terms and explanations instead of the Anthem Plan Document specific wording. No terms of coverage were changed in doing this. However, a requirement that was only present in the 2017 EHB-BP Schedule of

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<sup>6</sup> <https://www.govinfo.gov/content/pkg/FR-2018-04-17/pdf/2018-07355.pdf>

Benefits (that is part of the policy) was added to the 2025 EHB-BP document since the Schedule of Benefits is not shown as part of this new document. The Schedule of Benefits is primarily a document that provides cost share information. Since cost share information is not relevant to the EHB-BP document, the Schedule of Benefits was removed from the 2015 EHB-BP document. Where the 2017 Schedule of Benefits included coverage requirements, those were incorporated into this revised EHB-plan document. The 2017 Schedule of Benefits included that, in certain circumstances, donor services will include coverage for complications from the donor procedures for up to 6 weeks from the date of procurement. See page 17 of the 2017 EHB-BP [document](#) that includes the Schedule of Benefits with this language.

## 1. Medical Formula

### ***What is Currently Covered?***

Virginia's current EHB-BP covers "special medical formulas which are the primary source of nutrition for covered persons with inborn errors of amino acid or organic acid metabolism, metabolic abnormality or severe protein or soy allergies."<sup>7</sup> Our interviews with medical providers indicated that issuers determine a "primary source of nutrition" using calories, i.e., a primary source of nutrition must provide over 51% of caloric needs. The proposed benefit consistent with § 38.2-3418.18 of the Code of Virginia would expand this definition to include special medical formulas which are a "critical source of nutrition," meaning special medical formulas that provide medically necessary nutrition support, i.e. for protein, carbohydrates, etc. for those with inherited metabolic disorders would also be covered even if they do not meet the caloric needs requirement.

Of the 13 issuers who responded to the data call, 11 issuers (which represents over 99% of both the individual and small group Virginia ACA markets) responded they already cover the proposed benefit for the individual and small group ACA market.

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<sup>7</sup> <https://www.cms.gov/ccio/resources/data-resources/ehb>



### *Analysis of Additional Generosity*

For the 11 issuers that currently cover the proposed benefit, the cost of adding the benefit would be \$0.00 PMPM. The 2 issuers who do not currently cover the proposed benefit estimated the cost of adding the benefit would be \$0.10 PMPM or \$1.18 PMPM, however, both issuers cited credibility concerns with their estimate. Additionally, Virginia had performed a cost analysis prior to implementation of § 38.2-3418.18 of the Code of Virginia where they estimate \$0.11 PMPM to expand the coverage for medical formula.

The proposed benefit consistent with § 38.2-3418.18 of the Code of Virginia is currently mandated in the large group market in Virginia. Issuers provided the actual cost of adding the coverage in the large group market, which ranged from \$0.00 PMPM to \$0.15 PMPM. No carriers indicated any material increases in administrative or indirect costs related to this benefit.

The NovaRest analysis described in **Appendix B** resulted in a \$0.14 PMPM increase in the expected value for the expanded coverage of medical formula at 100% actuarial value.

## **2. Medically Necessary Myoelectric, Biomechanical, or Microprocessor-Controlled Prosthetic Devices**

### ***What is Currently Covered?***

Virginia's current EHB-BP covers "benefits for prosthetics and components when they are medically necessary for activities of daily living." The current EHB-BP requires the coverage of medically necessary prosthetic devices, their repair, fitting, replacement, and components. It does not specify the type of prosthetic that should be provided.<sup>8</sup> Virginia proposes coverage consistent with § 38.2-3418.15:1 of the Code of Virginia which would revise the definition of Medically Necessary to include myoelectric, biomechanical, or microprocessor-controlled prosthetic devices.

Of the 13 issuers who responded to the data call, 10 issuers (which represents over 98% of both the individual and small group Virginia ACA markets) responded they already cover the proposed benefit for the individual and small group ACA market.

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<sup>8</sup> "Title 38.2. Insurance." § 38.2-3418.15. Coverage for Prosthetic Devices and Components, <https://law.lis.virginia.gov/vacode/title38.2/chapter34/section38.2-3418.15/>.

### *Analysis of Additional Generosity*

For the 10 issuers that currently cover the proposed benefit, the cost of adding the benefit would be \$0.00 PMPM. The 3 issuers who do not currently cover the proposed benefit estimated the cost of adding the benefit would be \$0.15 PMPM, <\$0.25 PMPM or \$6.82 PMPM. The issuer estimates of \$0.15 PMPM and \$6.82 PMPM both cited credibility concerns. Additionally, Virginia had performed a cost analysis prior to implementation of § 38.2-3418.15:1 of the Code of Virginia where they estimate \$0.18 PMPM to expand the definition of medically necessary regarding prosthetics.

The proposed benefit consistent with § 38.2-3418.15:1 of the Code of Virginia is currently mandated in the large group market in Virginia. Issuers provided the actual cost of adding the coverage in the large group market, which ranged from \$0.00 PMPM to \$0.17 PMPM. We note the proposed benefit does not define the K-level that would determine medical necessity, and one issuer noted they currently define medical necessity at a K-level of 3 or higher. Our understanding based on interviews, medical necessity could be at a K-level of 2 or higher. In this case the issuer estimated a PMPM impact of \$0.10 PMPM. No carriers indicated any material increases in administrative or indirect costs related to this benefit.

The NovaRest analysis described in **Appendix B** resulted in a \$0.23 PMPM increase in the expected value for the expanded coverage of medical formula at 100% actuarial value.

### **Meeting the Typical Employer Plan Requirement**

45 CFR § 156.111(b)(2)(i) requires that an EHB-BP “Provide a scope of benefits equal to, or greater than, to the extent any supplementation is required to provide coverage within each EHB category at 45 CFR § 156.110(a), the scope of benefits provided under a typical employer plan.”<sup>9</sup>

During Virginia’s selection for the 2017 plan year, Anthem Health Plans of VA PPO was selected as the EHB-BP, and COVA Care was included in the 9 comparison plans and therefore represents a typical employer plan.

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<sup>9</sup> <https://www.ecfr.gov/current/title-45/subtitle-A/subchapter-B/part-156/subpart-B/section-156.111>

The Virginia BOI provided the results of the benefit analysis performed in the process of selecting their 2017 EHB-BP. The benefit differences between the plans are identified in Table 1:

| <b>Table 1:<br/>Differences in Covered Benefits</b>                          |  |                  |
|--|--|------------------|
|  | <b>Anthem Health<br/>Plans of VA PPO</b> | <b>COVA Care</b> |
| Services to diagnose infertility or to treat underlying cause of infertility | Covered                                  | Not Covered      |
| Oral Surgery – removal of impacted teeth                                     | Not Covered                              | Covered          |
| Bariatric surgery  | Not Covered                              | Covered          |
| Organ Transplant - Transport and lodging                                     | Covered                                  | Not Covered      |
| Medical foods - PKU  | Covered                                  | Not Covered      |

To estimate the difference in the expected value of the benefits at 100% actuarial value, each benefit was analyzed using either prior studies of mandated benefits or EHBs in other states, or we built cost estimates from first principles (using the basic assumption of cost per service and number of services per 1,000). The expected value, by benefit, is displayed in Table 2:

| <b>Table 2:<br/>Expected Value of Differences in Covered Benefits at 100% AV</b> |  |                           |
|--|--|---------------------------|
|  | <b>Anthem Health<br/>Plans of VA PPO</b> | <b>COVA Care</b>          |
| Services to diagnose infertility or to treat underlying cause of infertility     | \$0.75-\$1.00                            |                           |
| Oral Surgery – removal of impacted teeth   |  | \$0.10-\$0.20             |
| Bariatric surgery  |  | \$1.00-\$1.75             |
| Organ Transplant - Transport and lodging   | \$0.10-\$0.20                            |                           |
| Medical foods - PKU  | \$0.00-\$0.10                            |                           |
| <b>Sum of Expected Value of Benefits</b>   | <b>\$0.85-\$1.30 PMPM</b>                | <b>\$1.10-\$1.95 PMPM</b> |
| <b>Additional Expected Value of Anthem Health Keepers HMO</b>                    |  | <b>\$0.25-\$0.65 PMPM</b> |

We estimate COVA Care provides \$0.25-\$0.65 PMPM more expected value than the current EHB-BP (Anthem Health Plans of VA PPO). The proposed EHB-BP adds \$0.37 PMPM in value over the current EHB-BP (Anthem Health Plans of Virginia PPO) due to the addition of Medical Formula (\$0.14 PMPM) and Medically Necessary Myoelectric, Biomechanical, or Microprocessor-Controlled Prosthetic Devices (\$0.23 PMPM).

Therefore, we believe the proposed EHB-BP meets the 45 CFR § 156.111(b)(2)(i) requirement that the EHB-BP provides a scope of benefits equal to, or greater than, to the extent any supplementation is required to provide coverage within each EHB category at 45 CFR § 156.110(a), the scope of benefits provided under a typical employer plan.

## Meeting the Generous Plan Requirement

45 CFR § 156.111(b)(2)(ii) requires that an EHB-BP “not exceed the generosity of the most generous among a set of comparison plans.”

The FEHBP was one of the nine base-benchmark plan options for Virginia’s 2017 plan year EHB selection and represents the most generous among a set of comparison plans.

We performed a benefit comparison between the FEHBP and the current EHB-BP, identifying and pricing benefits included in the FEHBP that are not in the EHB-BP and vice versa. More information can be found in **Appendix C**. We determined the expected value of the FEHBP is \$3.41 PMPM more generous than the current EHB-BP, at 100 percent actuarial value, as discussed by CMS as an acceptable methodology.<sup>10</sup>

The cost PMPM of each proposed new benefit is shown in Table 3.

| <b>Table 3</b>  |                               |
|---|-------------------------------|
| <b>Proposed Expanded Benefits</b>   | <b>Generosity PMPM Impact</b> |
| Medical Formula   | \$0.14 PMPM                   |
| Medically Necessary Myoelectric, Biomechanical, or Microprocessor-Controlled Prosthetic Devices | \$0.23 PMPM                   |
| <b>Total Estimated Cost of Expanded Benefits</b>  | <b>\$0.37 PMPM</b>            |

Since we estimate the FEHBP is \$3.41 PMPM richer than the current EHB-BP, adding \$0.37 in benefits to the current EHB-BP would result in a proposed EHB-BP plan that does not exceed the generosity of the most generous among a set of comparison plans.

<sup>10</sup> <https://www.cms.gov/CCIIO/Resources/Regulations-and-Guidance/Downloads/Final-Example-Acceptable-Methodology-for-Comparing-Benefits.pdf>

## Certification

I, Donna Novak, am associated with the firm of NovaRest Actuarial Consulting, Inc. I am a member of the American Academy of Actuaries. NovaRest was hired by the Virginia Bureau of Insurance to provide an actuarial certification, consistent with updated guidance provided by the Department of Health and Human Services, Centers for Medicare and Medicaid Services, in support of Virginia's proposed changes to their Essential Health Benefit Benchmark Plan. I meet the Academy qualification standards for rendering the certification.

It is mine and NovaRest's belief that the proposed Essential Health Benefit Benchmark Plan complies with the following requirements included in the Centers for Medicare and Medicaid Services guidance regarding selecting a new Essential Health Benefit Benchmark Plan.

- That the State's EHB-BP provides a scope of benefits equal to, or greater than, to the extent any supplementation is required to provide coverage within each EHB category at 45 CFR § 156.110(a), the scope of benefits provided under a typical employer plan; and
- That the State's EHB-BP does not exceed the generosity of the most generous among a set of comparison plans

The actuarial methodologies utilized in order to arrive at our opinion are those considered generally accepted within the industry and are consistent with all applicable Actuarial Standards of Practice.

Sincerely,



Donna Novak ASA, FCA, MAAA, MBA

President and CEO of NovaRest

## Reliance

NovaRest relied upon the following information:

- Interviews with medical providers and interested parties Ashlie White, MA (Chief Programs Officer, Amputee Coalition), Eileen Coffman, MS, RD (Metabolic Dietician), Emily McDermott (Metabolic Dietician), Darlene Acero MS, RD (Metabolic Dietician). These providers and interested parties do not opine on the results of the analysis offered in this paper.
- A carrier data survey.
- Plan year 2023 Virginia ACA rate and form filing materials.
- 2021 information provided in the NAIC Supplemental Health Care Exhibit.
- California Health Benefits Review Program Analysis of Assembly Bill 754: Durable Medical Equipment

## Limitations

Opinions in this report should not be construed as providing legal advice.

Estimates in this report are precise enough to be used to confirm that CMS requirements are met but should not be used for any other purposes.

This report should only be used by BOI and CMS for the purposes intended and not for any other purposes.

This report should only be communicated in its entirety and not in parts or out of context.

## Appendix A – Virginia EHB Selection History

### Original EHB-BP and EHB Options Considered by VA

Note there are ten possible EHB-BP choices among the four plan types identified by HHS. Virginia focused on nine of the ten possible options. Based on information supplied by PWC<sup>11</sup>, the following plans comprise the nine EHB-BP choices analyzed:

1. Largest non-grandfathered small group insurance products in Virginia's small group market:
  - a) Anthem Health Plans of VA PPO
  - b) Anthem HealthKeepers HMO
  - c) Optima Vantage HMO
2. Largest three state employee health benefit plans by enrollment:
  - a) COVA Care
  - b) COVA Connect
  - c) Kaiser
3. Largest three national Federal Employees Health Benefits Plans (FEHBP).
  - a) FEHBP BCBS Standard Option
  - b) FEHBP BCBS Basic Option
  - c) Government Employees Health Association (GEHA)
4. Largest insured commercial non-Medicaid Health Maintenance Organization (HMO) operating in the state.
  - a) This plan was not included in the consideration of EHB-BP selection.<sup>12</sup>

### Original EHB-BP and EHB Option Chosen by VA

Plan chosen for EHB-BP was the Anthem Small Group PPO Plan KeyCare 30 with KC30 Rx Plan 10 30 50 OR 20 with supplemental pediatric oral and pediatric vision as supplemental categories.<sup>13</sup>

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<sup>11</sup> “Preliminary Essential Health Benefits, Benefit Mandates, and Benchmark Plans.” February 2012. PricewaterhouseCoopers LLP.

<sup>12</sup> Per e-mail from the VA BOI dated Sept 16, 2022, no documentation that suggested this plan was ever identified or considered.

<sup>13</sup> <https://www.cms.gov/CCIIO/Resources/Data-Resources/Downloads/Updated-Virginia-Benchmark-Summary.pdf>.

### EHB Reconsideration in 2015

Virginia again adopted the Anthem Health Plans of VA (Anthem BCBS) Premier DirectAccess PPO as the EHB-BP beginning 2017, with only pediatric dental as a supplemental category.<sup>14</sup>

Below are the changes in benefits from the change in the EHB-BP:<sup>15</sup>

#### Benchmark Change

- Pediatric Vision benchmark is no longer FEDVIP but Anthem benchmark plan (eye exam, eyeglass lenses, frames, and contact lenses).

#### Additional Benefits

- Pursuant to 45 CFR § 156.115 (a)(5)(iii), limits imposed on habilitative and rehabilitative services and devices cannot be a combined limit for 2017.
- Expanded description of speech therapy to include swallowing skills.
- Preventive care services: added screening for pregnant women or women who may become pregnant in Maternity section; added all current preventive care requirements in Preventive Care section; one breast pump per pregnancy must be provided with no cost sharing; must cover all methods of women's contraception and sterilization; separate Wellness services category deleted and added to Preventive care category; Smoking and tobacco cessation products moved to preventive care "A and B" category with no cost sharing.
- This benchmark specifically covers sterilization services and services to reverse a non-elective sterilization resulting from an illness or injury.
- Pulmonary rehab therapy,
- Hearing and vision diagnostic tests for a medical condition or injury,
- New advanced imaging diagnostic services: PET/CT Fusion scans, SPECT scans, QTC Bone Densitometry, diagnostic CT colonography,
- Colostomy and other ostomy supplies directly related to ostomy care, composite facial prosthesis, and wig needed after cancer treatment covered under Prosthetics (New),
- Expanded description of transplant surgery covering any medically necessary stem cell/bone marrow transplants, instead of only autologous bone marrow transplants for breast cancer, and
- Added outpatient treatment of TMJ in addition to the existing inpatient treatment. Appliances for TMJ were previously excluded. In the 2017 benchmark plan appliances for TMJ that reposition the teeth, fillings, or prosthetics are excluded, but coverage does include removable appliances for TMJ repositioning.

<sup>14</sup> <https://www.cms.gov/CCIIO/Resources/Data-Resources/ehb#Virginia>

<sup>15</sup> From the file "Changes to EHB 2014 to 2017" provided by the Virginia BOI.

## Appendix B - NovaRest Estimate of Expanded Medical Formula and Medically Necessary Myoelectric, Biomechanical, or Microprocessor-Controlled Prosthetic Devices Cost

### *Data*

NovaRest collected plan year 2023 rate and form filing information, financial statements and public data. NovaRest also interviewed multiple providers and interested parties to gain their valuable perspective on both enteral nutrition and medically necessary myoelectric, biomechanical, or microprocessor-controlled prosthetic devices.

We believe that estimates provided by the carriers are more reliable than independent analyses based on non-carrier data. Therefore, NovaRest also performed a data call on Virginia carriers to gain their perspectives on the current level of coverage in the market and the expected costs of adding these benefits to the EHB-BP. We received responses from over 99% of both the Virginia individual ACA market and small group ACA market. The responses we received from the carriers indicated no cost or minimal cost to cover the proposed benefits relating to enteral nutrition and medically necessary myoelectric, biomechanical, or microprocessor-controlled prosthetic devices. Some carriers already cover the proposed services.

### *Assumptions and Methodology*

#### Medical Formula

We estimate approximately 106 people enrolled in Virginia ACA plans would be eligible for medical formula that is not the primary source of nutrition. We applied the current Virginia ACA enrollment to the incidence rates for various conditions which are known to require medical formula.<sup>16</sup>

Medical formula was assumed to be \$700 monthly. The issuer data call reported an average of \$260 monthly for currently covered medical formula, while the medical providers we interviewed estimated hundreds or thousands of dollars monthly for medical formula.

Members who do not receive adequate nutritional support from medical formula can have severe medical consequences, including being institutionalized or even death. We assume coverage of medical formula can lead to savings of \$1,500 per member.<sup>17</sup>

Using membership and premium information from the 2023 issuer URRTs we estimate a \$0.14 PMPM premium impact at 100% actuarial value.

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<sup>16</sup> [https://assets.ctfassets.net/plyq12u1bv8a/1FVEeh1mRHVnNdGUAPlzNy/ce9ee67ae9d7a2b8c3c45ed7cf2168e8/CG011\\_Enteral\\_and\\_Oral\\_Nutritional\\_Supplements.pdf](https://assets.ctfassets.net/plyq12u1bv8a/1FVEeh1mRHVnNdGUAPlzNy/ce9ee67ae9d7a2b8c3c45ed7cf2168e8/CG011_Enteral_and_Oral_Nutritional_Supplements.pdf)

<sup>17</sup> <https://aspenjournals.onlinelibrary.wiley.com/doi/10.1002/jpen.1606>

### Medically Necessary Myoelectric, Biomechanical, or Microprocessor-Controlled Prosthetic Devices

We estimate approximately 1,800 people enrolled in Virginia ACA plans would be eligible for medically necessary myoelectric, biomechanical, or microprocessor-controlled prosthetic devices. We began with an estimate of 2.1 million people living in the US with limb loss.<sup>18</sup> We then estimate and remove those with only finger amputations,<sup>19</sup> who we assume would not use the medically necessary myoelectric, biomechanical, or microprocessor-controlled prosthetic devices. We then assume people with limb loss are equally distributed across the country and health insurance market. We then assume approximately 70% of these members would have a K-level score of 2 or higher.<sup>20</sup> Based on an interview, our understanding is members with a K-level score of 2 or higher would be eligible for an enhanced prosthetic. Lastly, we assume myoelectric, biomechanical, or microprocessor-controlled prosthetic devices would last 5 years<sup>21</sup>, and therefore 20% of eligible members would pursue medically necessary myoelectric, biomechanical, or microprocessor-controlled prosthetic devices annually.

The cost of myoelectric, biomechanical, or microprocessor-controlled prosthetic devices were based on the January 2023 Medicare Fee Schedule.<sup>22</sup> We compared the average cost of myoelectric, biomechanical, or microprocessor-controlled prosthetic devices (by lower body/upper body separately assuming 81% lower body<sup>23</sup>/19% upper body), to the current allowed claims reported by issuers in Virginia to determine the additional cost for myoelectric, biomechanical, or microprocessor-controlled prosthetic devices.

Using membership and premium information from the 2023 issuer URRTs we estimate a \$0.23 PMPM premium impact at 100% actuarial value.

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<sup>18</sup> <https://accessprosthetics.com/15-limb-loss-statistics-may-surprise/#:~:text=1.,have%20a%20amputation%20each%20year>.

<sup>19</sup>

<https://www.ncbi.nlm.nih.gov/pmc/articles/PMC7317129/#:~:text=Thousands%20of%20people%20suffer%20from,people%20%5B1%2C2%5D>.

<sup>20</sup> <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC6019138/>

<sup>21</sup> Based on discussion with Ashlie White Chief Programs Officer, Amputee Coalition, enhanced prosthetics are warrantied for 3-5 years and most will last 5 years.

<sup>22</sup> <https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/DMEPOSFeeSchd/DMEPOS-Fee-Schedule>

<sup>23</sup> <https://www.ncbi.nlm.nih.gov/books/NBK546594/>

## Appendix C – NovaRest Estimate of Generosity Difference

Based on prior work done in Virginia to select the current state EHB-BP, we believe the Federal Employee Health Benefits Plan (FEHBP Blue Cross and Blue Shield Service Benefit Plan) remains the highest actuarial value plan among the 10 plans considered. The report entitled “Review and Evaluation of Potential Changes to the Virginia Essential Health Benefits Benchmark Plan and Potential Cost Impacts” provides the complete description of the analysis which is described below. Please note the analysis performed in the “Review and Evaluation of Potential Changes to the Virginia Essential Health Benefits Benchmark Plan and Potential Cost Impacts” report was done assuming a 75% actuarial value. The numbers were adjusted to a 100% actuarial value for the purposes of the Actuarial Report and Certification.

### *Benefits included in the FEHBP not included in the Current EHB-BP*

In order to assess the impact on premium of potential new EHBs, we identified benefits included in the FEHBP that are not in the EHB-BP that would need to be adjusted out to have comparable sets of benefits. To develop claim estimates and percent of premium, each benefit was analyzed using either prior studies of mandated benefits or EHBs in other states, or we built cost estimates from first principles (using the basic assumption of cost per service and number of services per 1,000). The estimated impact of these benefit adjustments, at 75% actuarial value, is as follows:

- 0.80% of premium
- \$4.61 premium impact

The richest plan premium impact excludes routine adult dental services, which cannot be an EHB, and gender reassignment surgery which may be a required benefit due to new CMS discrimination guidance.

### *Benefits included in the Current EHB-BP not included in the FEHBP*

In order to assess the impact on premium of potential new EHBs, we identified benefits included in the EHB-BP that are not in the FEHBP (richest that would need to be adjusted out to have comparable sets of benefits). To develop claim estimates and percent of premium, each benefit was analyzed using either prior studies of mandated benefits or EHBs in other states, or we built cost estimates from first principles (using the basic assumption of cost per service and number of services per 1,000). The estimated benefit adjustments, at 75% actuarial value, are as follows:

- 0.35% of premium
- \$2.05 premium impact

### *Generosity Difference*

When we consider the total value to the benefits in the FEHBP and not in the current EHB-BP, we see that there is approximately \$4.61 more benefit in the FEHBP. Then we must consider the benefits in the EHB-BP that are not in the FEHBP of \$2.05. The difference shows that the value of the FEHBP is \$2.56 more PMPM than the current EHB-BP, at 75% actuarial value.<sup>24</sup> The difference at 100% actuarial value, discussed by CMS as an acceptable methodology, is \$3.41.

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<sup>24</sup> This does NOT include routine adult dental services and gender reassignment surgery. While covered under the FEHBP Plan and specifically excluded by the EHB-BP, our interpretation of the federal rules indicate they cannot be considered as a difference in value.