

# CALIFORNIA'S 2016 EXCHANGE PLANS



Potential Size of Exchange Market: **About 2,986,000 California residents.**<sup>1</sup>

## Improving Exchange Coverage in California

California's state-based exchange is responsible for the operation of all core exchange functions. State regulators are charged with reviewing health insurance plans offered on the state-based exchange to ensure compliance with important consumer protections. Under this broad authority, the exchange should strengthen insurance coverage for enrollees by:

- Enforcing non-discrimination requirements, which apply to benefit design and provider networks; and
- Enhancing its website to allow for more meaningful plan comparisons, including searchable formularies and estimates of total out-of-pocket costs.

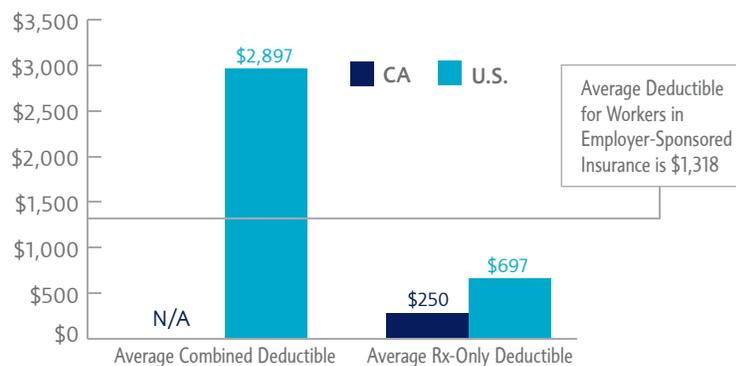


## Key Facts about 2016 Health Plans in the California Exchange:

### Deductibles

- California is among a handful of states that have mandated standardized cost sharing for exchange plans. This means that carriers are required to offer plans with set deductibles and cost sharing.
- Exchange plan coverage is supposed to be consistent with employer-sponsored insurance<sup>2</sup>—the vast majority of which covers prescription drugs immediately.<sup>3</sup>
- In California, all standard Silver plans have a \$250 deductible for brand medicines, which may discriminate against patients who need brand medicines for effective treatment. Generic medicines are available without a deductible.

Annual Deductibles in Silver Plans:  
California Standard Plan Compared to U.S. Average<sup>4</sup>



### Cost Sharing

- Prescription drug cost sharing is a recurring expense for those with a chronic condition. Cost sharing for medicines can quickly become burdensome for those with high monthly costs.
- Coinsurance generally becomes more common on higher cost sharing tiers.
- In California, 100% of exchange plans are standardized and require copays for preferred brand drugs and those copays are \$50. California's standardized benefit designs for 2016 cap cost sharing for specialty drugs at \$250 for silver, gold, and platinum plans.<sup>5</sup>
- Patients under 250% of the federal poverty level (about \$30,000 for an individual) may qualify for cost sharing subsidies that reduce the out-of-pocket costs for Silver plans. California's standardized cost sharing for the lowest-income subsidy-eligible beneficiaries requires a 20% coinsurance for specialty tier medicines, raising affordability concerns.



Health plans on California’s Health Insurance Exchange are required to cover “Essential Health Benefits” established by federal regulation. Prescription drug benefits are evaluated in comparison to California’s benchmark health plan, which sets the standard for how many medicines exchange plans must include on their formularies. Under the counting rules defined by federal regulation, California’s benchmark plan governing 2016 plans covers 62% of medicines that were available when the benchmarks were originally selected. Starting in 2017, plans will have to meet a new benchmark

that covers 58% of drugs that were available when these benchmarks were selected.<sup>6</sup> The regulations allow health plans significant leeway in designing formularies to meet a state’s benchmark standard. It is important that states review formularies for compliance with established benchmarks and non-discrimination protections because current federal rules for “counting” prescription drug coverage may allow plans to effectively cover fewer drugs than a state’s benchmark and typical employer plans.

## State review of exchange plan formularies is important because:

-  Federal count-based standards related to the number of medicines a plan must cover do not extend to cost sharing. Even if a medicine is covered, it may still be unaffordable. If therapeutic alternatives are not available on a lower cost sharing tier, the benefit design may be discriminatory.
-  Federal counting rules do not provide an incentive to cover combination therapies and extended release medicines.<sup>7</sup> These medicines play an important role in patients sticking to and benefiting from the treatments they need.
-  There are no rules to ensure consistent coverage or counting of medicines typically included in the medical benefit—these medicines often treat serious conditions such as cancer and neurologic diseases.

## Based on an analysis of actual 2016 exchange plan formulary information in California, the following key findings are of particular importance to California residents:<sup>8</sup>



An average of **87%** of brand medicines are covered across a range of key drug classes in the California exchange. The national average is **82%** of brand medicines covered in exchange plans.

An average of **93%** of plans in the California exchange placed all of their drugs in at least one class on the specialty tier. The national average is **80%**. The conditions most likely to be subject to this type of formulary design are cancer, MS and HIV/AIDS.

An average of **0%** of brand drugs have a coinsurance of 30% or higher in the California exchange, compared to a national average of **27%** of brand drugs having coinsurance of 30% or higher.

1 Estimated Number of Potential Marketplace Enrollees, Kaiser Family Foundation, accessed January 2016 <http://kff.org/health-reform/state-indicator/marketplace-plan-selections-as-a-share-of-the-potential-marketplace-population/#>

2 42 U.S.C. § 18022(b)(2).

3 Kaiser/HRET 2015.

4 Analysis by Avalere of silver plans included in the HHS landscape file and collected from all state based exchanges; Average for U.S. is based on Avalere analysis of California, Nevada, New Mexico, New York, Oregon, Hawaii and federal exchange state silver plans; Average drug deductible is based on the average of separate, non-\$0 drug deductibles; employer average from Kaiser/HRET Survey of Employer-Sponsored Benefits, 2015.

5 Analysis by Avalere of benefit designs for all silver plans in the state. All plans with no cost sharing after the deductible were excluded from the analysis.

6 Analysis by Avalere of total chemical entity submission counts by USP class covered by 2017 Essential Health Benefits (EHB) Benchmark Plans, <https://www.cms.gov/ccio/resources/data-resources/ehb.html>.

7 P&T requirement starting in 2017 could add additional protections for patients taking these drugs.

8 Analysis by Avalere Health of single-source brand medicines (medicines without a generic alternative on the market) across 22 classes, including immunosuppressants and classes that treat HIV, cancer, diabetes, asthma, multiple sclerosis, mental health conditions and hepatitis C; based on data collected by Managed Markets Insight & Technology, LLC.