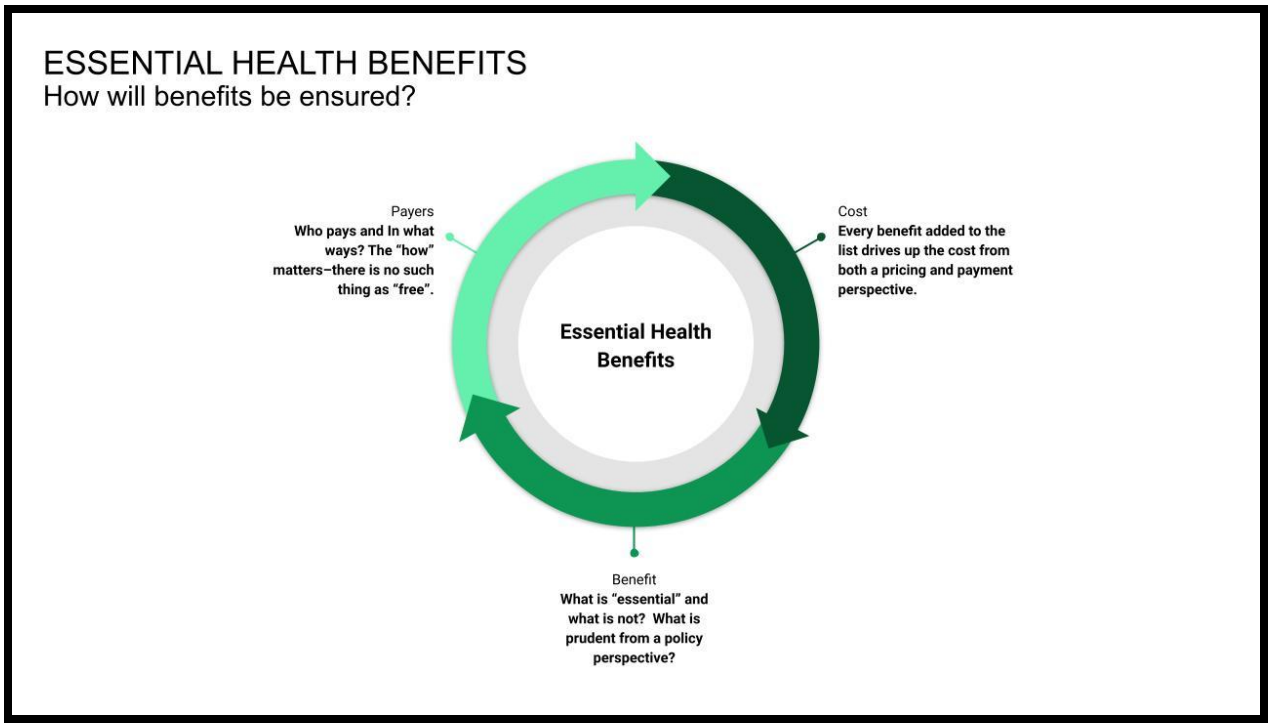

OVERVIEW

Prior to the ACA there was no mandatory healthcare insurance coverage. It was up to an individual or an employer to decide what coverage they needed and balance benefit and cost for their situation. An employer, for instance, may offer both a healthy families package with maternity and pediatric care etc., and a plan for a young, single person who just wanted basic checkup and emergency coverage. Obviously, fewer benefits results in a less expensive premium as with any other insurance product.

The two concerns that lead the discussion about mandating "Essential Health Benefits" had to do with, 1) pre-existing conditions, and 2) inexpensive but thin benefit plans, often referred to at "Junk Plans." People with pre-existing conditions often had steep underwriting in their plans that made them very expensive; think about car insurance risk. If you are young, or have a lot of accidents on your record, your premium cost is higher than an older person with a safe driving record.

1) This was seen as an unfair burden on people with pre-existing conditions they couldn't help, such as: diabetes, heart disease, disabilities, conditions requiring expensive medication, etc.
2) Many people would seek cheap out of pocket plans, but when they needed coverage they would find out the coverage was very limited, and/or their deductibles were so high

they would never meet them without the medical condition being catastrophic (Junk Plans).

Because there was no parameters around what constituted a basic plan of services that should be reasonably covered, there was no way to enforce or assist members with these issues. When the discussion was happening about what is “essential” it was difficult to get consensus in the discussion. As the ACA was passed on unprecedented (at the time) party parisian lines, the need for discussion was greatly reduced. What was decided for the nation by the Democrat party was to provide broad categories of benefits that could be defined later.

These government mandated essential benefits are one of the main cost drivers in the industry because ALL healthcare plans, whether offered on the exchanges or not, are required by law to provide this "minimum" list of benefits.

Keep in mind, nothing is free. The cost for this coverage comes from individuals and families directly; in either direct cost share, premiums, or taxes–sometimes all 3.