



# State of New Mexico: Office of the Superintendent of Insurance

## Benchmark Plan Benefit Valuation Report

March 9, 2020

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# Table of Contents

Introduction and Background .....	2
Executive Summary .....	3
Proposed Benchmark.....	4
Recommendation: Artery Calcification Test .....	5
Recommendation: Prosthetics.....	5
Recommendation: Weight Loss Drugs / Programs .....	6
Recommendation: Opioid Reversal Agents .....	7
Recommendation: Anti-Hepatitis C Drugs .....	7
Additional Clarifications on Certain Benefits .....	8
Typical Employer Test.....	9
Generosity Test.....	9
Appendix A: Data and Methodology .....	11
Appendix B: Reliances and Caveats .....	12
Appendix C: Disclosures and Limitations .....	14

## Introduction and Background

New Mexico retained Wakely to analyze the estimated cost impact of proposed changes to its state benchmark plan in the individual and small group Affordable Care Act (ACA) markets. Wakely was tasked to analyze the cost impact of a new benchmark and to determine if the new benchmark met the actuarial requirements as stated in 45 CFR 156.111.

Starting in 2020, the federal government allowed the following additional options for defining a state EHB benchmark plan, beyond what the states had previously been allowed:

- Selecting an EHB benchmark plan used by another state in 2017
- Replacing one or more EHB categories in the current benchmark plan with those categories as defined by another state in 2017
- Selecting a set of benefits to become the state benchmark plan

New Mexico wants to utilize the greater flexibility granted by CMS to update their EHB benchmark plans to provide greater stability and clarity to New Mexico's market and enrollees.

This is the actuarial report which is part of the State of New Mexico's application for a change in the Federal CMS Plan Year 2022 Essential Health Benefit Benchmark Plan under Selection Option 3. There are two actuarial requirements for a change in the benchmark. The first is the new EHB benchmark plan must be equal to, or greater than the scope of benefits provided under a typical employer plan. The second is that the new EHB benchmark plan does not exceed the generosity of the most generous among the plans listed at 45 CFR 156.111(b)(2)(ii).

This document has been prepared for the sole use of New Mexico. This report documents the results, data, assumptions, and methods used in our analyses and satisfies the Actuarial Standard of Practice (ASOP) 41 reporting requirements. Using the information in this report for other purposes may not be appropriate.

## Executive Summary

The State of New Mexico's Office of the Superintendent of Insurance ("OSI" or "New Mexico") retained Wakely Consulting Group, LLC ("Wakely"), to analyze the estimated cost impact of proposed changes to its state benchmark plan in the individual and small group ACA markets. Pursuant to 45 CFR 156.111, New Mexico has elected to select a set of benefits to comprise the new EHB benchmark plan. Per OSI's request, we specifically priced the following changes in benefits offered relative to the current (2017) New Mexico Benchmark Plan:

- Adding Artery Calcification Testing
- Removing the benefit limit on Prosthetics (currently 1 device per year) and instead requiring medical necessity
- Extending coverage for Weight Loss to cover Obese members (currently covers Morbidly Obese only)

Additionally, while we believe that the following drugs were included as supplements to the current benchmark and therefore not additions, we still priced the inclusion of the following drugs:

- Adding Opioid Reversal Agents and Anti-Hepatitis C Agents to the EHB Benchmark Formulary

The above EHB benefits were targeted based on discussions with OSI, participating New Mexico carriers, and Wakely's and OSI's interpretation of the current regulations regarding selection of a new state EHB benchmark plan.

Based on our analysis, we estimated that the changes proposed by OSI would increase allowed costs approximately 0.41%. The change in allowed costs was used as the comparison given that is full cost of the benefit package and does not incorporate other extraneous factors, such as cost sharing and non-benefit expense loads.

We tested this new benchmark to ensure it met both the generosity test and the typical employer test as defined under 45 CFR 156.111, both of which are discussed in greater detail in a subsequent section of this report. Wakely found the new benchmark to meet both regulatory requirements.

The remainder of this document presents the pricing results and analysis of each of the benefit changes, as well as the associated methodology underlying that analysis. A summary of those results is shown below in Tables 1 and 2.

**Table 1: Comparison of Proposed Benchmark to the Current Benchmark Plan**

Plan	Difference Relative to Current
Most Generous among Eligible Benchmark Plans (United Healthcare Choice Plus)	0.57%
Proposed New Benchmark	0.41%
Typical Employer Plan (Current benchmark)	0.00%

The above table shows that the proposed benchmark plan falls between the typical employer plan (defined as the current benchmark plan) and the most generous plan, thus meeting both regulatory requirements. The following table shows the impact by benefit for each benefit difference in the current and proposed benchmark plans.

**Table 2: Impact of Changes**

Benefit Change	Allowed Cost Impact
Artery Calcification	0.03%
Prosthetics	0.02%
Weight Loss Drugs	0.03%
Opioid Reversal Agents	0.00%
Anti-Hepatitis C Drugs	0.33%
<b>Total</b>	<b>0.41%</b>

In addition to the benefits listed above, several benefit clarifications are also being recommended. Since these are not a change to the benchmark plan, but rather clarifications on the current covered benefits in the EHB, there is not cost impact associated with these changes. These recommendations are discussed in further detail in the report.

## Proposed Benchmark

The current New Mexico benchmark plan is Presbyterian Health Plan’s Individual Silver C HMO, supplemented with Pediatric dental, Pediatric vision, and habilitation services. This plan was chosen starting in 2017 in accordance with the EHB rules and approved by CMS. Under Option 3, the State is allowed to develop a new benchmark plan by selecting a set of benefits rather than an existing plan offered in the market. As part of its process of reviewing and potentially updating the benchmark, Wakely was tasked on reviewing what alterations should be made to the existing benchmark. As part of its review process, Wakely discussed potential changes with New Mexico’s individual and small group issuers to get their feedback. Wakely also conducted analysis on the potential actuarial impact of the changes. Several of the benefits considered for change were not ultimately recommended as a change. Listed below are recommended changes and their potential impact.

Note that no proposed changes to the New Mexico EHB benchmark plan relate to Pediatric dental or vision benefits.

## Recommendation: Artery Calcification Test

### Description

Artery calcification test is a test that measures calcification in the heart for purposes of diagnosing certain heart disease such as ischemic heart disease. It would be performed, at most, every five years and is suggested for anyone between the ages of 45 to 75 who exhibits hypertension, hyperlipidemia, diabetes, smoking or family history of heart disease.

### Methodology and Results

We pulled claim experience for the West region from the Wakely ACA (WACA) database for unit cost information on procedures covered under this benefit's definition per AMA Current Procedural Terminology (CPT) code assignments. Annual utilization was derived from the percentage of members in the same experience data who are both 45+ and have a diabetes Hierarchical Condition Code (HCC). While we expect not just diabetics to use the service we believe this is an appropriate proxy. We assumed 20% utilization annually as the test will only be given once per 5 years at most (i.e., no more often than this). Finally, we assumed a 25% take-up rate among those eligible for the test based on the current perceived level of awareness and education regarding this procedure.

The resulting PMPM allowed cost, from the WACA unit cost information and utilization level derived above, was equal to 0.03% of the total allowed claims from the same experience dataset. This result is higher than the baseline WACA data by an approximate factor of 4.8, which suggests a substantial degree of conservatism in this approach. This impact was assessed in isolation; i.e. we did not assume any explicit offsetting reduction in any other treatment areas that may arise due to the adoption of this test as a covered benefit.

## Recommendation: Prosthetics

### Description

The current New Mexico benchmark plan includes coverage for one prosthetic device per year. We propose removing this limit from the current benefit and instead basing on medical necessity.

### Methodology and Results

We pulled member-level claim experience for the West region from the WACA database and used this to create a Claims Probability Distribution (CPD) based on the annual number of prosthetic

claims per person reported in a calendar year. Prosthetic claims were identified using the most recent Wakely ACA Claims Grouper code set to identify CPT codes assigned to the prosthetics category. Using this CPD, we determined the total PMPM allowed claim cost for insureds with more than one prosthetic claim. It was found that such claimants accounted for approximately 23% of the total prosthetics claim cost in the experience data.

The WACA data is not available at a state level. The West region data was pulled since New Mexico is included in the region. However, not all states in the West region cover prosthetics. As a result, we reviewed the EHBs for all states in the West region. We then grossed up calculated PMPM amount for the percentage of members insured in states where prosthetics are currently covered in the EHB Benchmark, per publicly available CMS EHB Benchmark Plan information. This gross up was done to ensure our projected claim cost was not understated due to lack of coverage.

The resulting PMPM allowed cost was equal to 0.02% of the total allowed claims from the same experience dataset.

## Recommendation: Weight Loss Drugs / Programs

### Description

We propose expanding member eligibility for weight loss drugs and programs to obesity, rather than morbid obesity alone.

### Methodology and Results

We pulled claim experience for the West region from the WACA database for drugs covered under the United States Pharmacopeia (USP) Weight Loss drug class, per National Drug Code (NDC) code assignments. Weight Loss Drugs is not currently covered as a USP class according to the Benchmark documents.

We then pulled member-level data from the same dataset and identified the percentage of obese and morbidly obese members present in that population. We assumed that member behavior would be uniform within these two groups if coverage and availability were also uniform. Therefore, the additional projected allowed PMPM amount was calculated based on the difference in the size of the eligible population with obese members included as eligible.

The resulting PMPM allowed cost, after a coverage utilization adjustment similar to the one described under the above section relating to prosthetics, was equal to 0.03% of the total allowed claims from the same experience dataset.

## Recommendation: Opioid Reversal Agents

### Description

We propose adding Opioid Reversal Agents to the Benchmark Formulary as a covered USP Drug Class, with 4 submissions.

### Methodology and Results

We pulled claim experience for the West region from the WACA database for all opioid reversal drugs covered under the USP Opioid Reversal Agents drug class. The recommendation is to add the following four drugs to the benchmark formulary.

- EVZIO
- Naltrexone HCl (including Anhydrous)
- Naloxone HCl
- NARCAN

The specific drugs analyzed were those currently covered on at least one formulary among those filed by New Mexico carriers in the ACA market.

The resulting PMPM allowed cost for the four drugs listed above, after adjusting utilization for current benchmark coverage, was equal to 0.00% of the total allowed claims from the same experience dataset. As our recommendation based on current issuer coverage is to cover four submissions, we project the impact to allowed claims based on this recommendation to likewise be 0.00%.

## Recommendation: Anti-Hepatitis C Drugs

### Description

We propose adding Anti-Hepatitis C Drugs to the Benchmark Formulary as a covered USP Drug Class, with two submissions.

### Methodology and Results

Using the claim experience for the West region from the WACA database, we identified the Average Wholesale Price (AWP) unit cost for each NDC in the USP Anti-Hepatitis C Agents drug class and used this to determine the specific drug(s) for New Mexico to add to its EHB Benchmark formulary. The drugs selected are currently covered by at least one issuer in the ACA market.

- Viekira Pak
- Mavyret

We further assumed for pricing purposes that all utilization would shift to these drugs, i.e. the total utilization for the class combined with the unit cost derived in the previous step would result in the appropriate PMPM.

The resulting PMPM allowed cost was equal to 0.33% of the total allowed claims from the same experience dataset. No adjustments for potential drug rebates, or other cost offsets was assumed in the impact. It should be noted that we do not expect any actual realized impact to claim costs or premiums arising from this benefit change as issuers are already covering multiple drugs in the class. However, per CMS's instruction we have included the impact as derived above for generosity testing purposes.

### Additional Clarifications on Certain Benefits

#### Recommendations

In addition to the benefit changes listed above, New Mexico recommended making additional changes to the language present around its current benchmark plan with the goal of clarifying the coverage of select existing benefits. While these recommendations do constitute changes to the current benchmark in the strictest sense, based on conversations with New Mexico and CMS they do not represent actual changes in any EHB benefit coverages. Therefore, no pricing exercise was performed and the assumed impact of any such changes is 0.0%. The specific recommendations pertinent to these EHB benefits are:

- Infusion Therapy – The recommendation is to clarify that this benefit is in fact covered by the EHB benchmark plan, as there are currently conflicting sources regarding coverage. Infusion Therapy was covered in the Presbyterian Health Plan's Individual Silver C HMO.
- Infertility Diagnosis and Treatment – Similar to infusion therapy, the recommendation is for that New Mexico clarify that this benefit is an EHB as it was part of Presbyterian Health Plan's Individual Silver C HMO plan offering.
- Habilitative and Rehabilitative Treatments – The recommendation is to clarify the intention behind what services are covered, i.e. Physical, Occupational and Speech Therapy and Autism Spectrum disorder diagnosis and treatment.
- Hearing Aids - The recommendation is to remove any language specifying an age limit on this benefit. This would not result in an effective coverage change due to ACA discrimination restrictions.

- Prior Authorization- The recommendation is to remove any prior authorization language in the benchmark. Issuers would have the ability to include prior authorization in their plan designs, subject to state and federal law.

## Summary

After performing the above pricing exercises for the listed benefit changes, the projected total PMPM increase is 0.41% as a percent of total allowed dollars.

## Typical Employer Test

The first test that needs to be met for a new benchmark to be approved is the typical employer test. In particular, a new benchmark must provide a scope of benefits that is equal to, or greater than, a typical employer plan. A typical employer plan can be on one the state's 10 base-benchmark plan options from 2017 or one of the five largest group health insurance products (provided the group health plan meets certain criteria). Consequently, the current benchmark plan (Presbyterian Health Plan's Individual Silver C HMO) meets the criteria of being a typical employer plan. As no benefit is being removed from the current benchmark (Presbyterian Health Plan's Individual Silver C HMO), which Wakely used as the typical employer plan for purposes of the typical employer test, the new benchmark would have a scope of benefits equal to or greater than one of the plans 45 CFR 156.111(b)(2)(i) (the current benchmark plan).

## Generosity Test

The second requirement for a new benchmark is the generosity test. In particular a state's EHB-benchmark plan must not exceed the generosity of the most generous among plans listed at 45 CRR 156.111(b)(2)(ii)(A) and (B). Previous analysis by Leif Associates, Inc.<sup>1</sup> identified United Healthcare Choice Plus as the most generous plan among those listed at 45 CFR 156.111(b)(2)(ii)(A) and (B). In particular, the primary difference between what the United Healthcare Choice Plus plan offered and the other comparison plans was the additional benefit of private duty nursing. Furthermore, the plan would have required supplementation to meet the benchmark standards. For example, the additional drug coverage would have been necessary to meet all of the requirements of 45 CFR 156.122.

To simplify the analysis, Wakely analyzed the expected relative cost difference of the benefit of Private Duty Nursing relative to the proposed benchmark.

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<sup>1</sup> Leif Associates, Inc. 2015. "New Mexico 2017 Essential Health Benefits"

We used claim experience for the West region from the WACA database for unit cost information on procedures covered under Private Duty Nursing, per AMA Current Procedural Terminology (CPT) code assignments. As there is no clear delineation between CPTs for Private Duty Nursing and Home Health, we then looked at each CPT code and applied judgment to assign that procedure to one of those two categories. For codes that could reasonably apply to either benefit category, we assigned 75% of the utilization and claim cost to Private Duty Nursing. Similar to other benefits, the PMPM was grossed up to account for states in the West region where the benefit is not covered.

The resulting PMPM allowed cost was equal to 0.57% of the total allowed claims from the same experience dataset.

As part of the generosity test, Wakely compared the change in benefits of the new benchmark compared to the benefits for the United Healthcare Choice Plus to align with the requirement that the new benchmark did “Not exceed the generosity of the most generous among a set of comparison plan... any of the State's base-benchmark plan options for the 2017 plan year described in § 156.100(a)(1), supplemented as necessary under § 156.110. We determined that under the generosity test, the total PMPM claims impact of all proposed benefit changes (0.41%) is less than that of the Private Duty Nursing benefit included with the most generous comparison plan (0.57%). The analysis was conservative as the 0.41% included changes to drug coverage, which theoretically should also be included as a supplement to the United Healthcare Choice Plus plan and therefore would have no impact to premiums. Nonetheless even with the additional drug coverage, the proposed changes to New Mexico’s EHB benchmark plan are in compliance with the generosity test requirement.

## Appendix A: Data and Methodology

Wakely pulled 2017 allowed information by service line from its 2017 Wakely ACA (WACA) experience database and used this data to assess utilization and unit cost data for select benefit. The WACA data repository is comprised of issuer EDGE server data and includes over 7 million member lives in 2017. The data itself is available at the Regional level; for this analysis we used West US individual and small group market data as the starting point.

We used information in the data including (but not limited to) CPT / HCPCS codes, Revenue Codes, Inpatient DRGs, and NDCs to assign claims to Wakely-defined service lines and USP classes as applicable. For benefits that did not coincide with a specific service line (e.g. Artery Calcification Test), we looked at specific CPT codes<sup>2</sup> linked to that procedure.

Once CPT-level (in some cases member-level was also used) data was acquired, we made any appropriate adjustments to the base information in order to isolate the projected costs pursuant to the specific benefit recommendations outlined in prior sections of this document. Specific adjustments by EHB benefit may have included:

- Unit cost adjustments to reflect coverage for only a portion of NDCs within a class
- Adjustments to the utilization in instances where the covered population would vary compared to what is covered in the data
- Coverage utilization adjustments to account for specific benefits not being included in all state benchmarks within the region being analyzed

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<sup>2</sup> <http://www.medicarepaymentandreimbursement.com>

## Appendix B: Reliances and Caveats

The following is a list of the data Wakely relied on for the analysis:

- The 2017 Wakely ACA Database
- Analysis by Leif Associates, Inc. “Essential Health Benefits: Analysis of 2017 Benchmark Plan Options for the State of New Mexico”
- Presbyterian Health Plan Subscriber Agreement and Guide to Your Managed Care Plan, Individual HMO Plans
- 2020 Molina Healthcare of New Mexico, Inc. Agreement and Individual Evidence of Coverage
- 2020 New Mexico Health Connections Evidence of Coverage (Member Handbook), Individual HMO Plan
- 2020 True Health New Mexico Health Plan Coverage Evidence of Coverage (Member Handbook), Small Group HMO Plan
- 2020 Presbyterian Health Plan, Inc. Group Subscriber Agreement and Guide to Your Managed Care Plan, Group Metal Benefit Plan HMO

The following caveats in the analysis should be considered when relying on the results.

- **Data Limitations.** As discussed in the body of this report, the WACA database is comprised of EDGE server data. There are some variances in the EDGE data compared to other data sources that may be used to check the reasonability of the EDGE data; however, the variances were reasonable and not expected to impact the results. Additionally, it is possible that some portion of the data used may have been truncated due to state-specific EHB limits that are stricter than New Mexico’s current limits. Our analysis indicated any potential impact of such truncation to be low, if not negligible.
- **Enrollment Uncertainty.** This report was produced based on 2017 experience data. To the extent that the risk profile, mix of services utilized, size, or any other significant characteristic or combination of characteristics of the insured population changes significantly between 2017 and any year for which these projections are being used, the data on which this report is based may no longer be applicable.
- **Mental Health Parity.** Any testing for compliance with the requirements of the Mental Health Parity Act of 1996 was outside the scope of this project, and therefore was not

performed. Changes in benefit coverage may affect such compliance; as such, OSI should be aware of any potential effects and take appropriate measures and / or precautions in order to ensure no issues arise.

- **Issuer Conformity.** The estimated impacts of removing coverage for specific benefits assumes that any changes to the New Benchmark plan will be adopted by all issuers present in the state, with respect to their covered benefits offered to members. All estimates are Wakely's of the change in allowed costs. Actual paid cost and premium impacts may vary by issuers, based on their internal data, models and drugs that they choose to include in their formulary, etc.

## Appendix C: Disclosures and Limitations

**Responsible Actuaries.** Julie Peper and Andy Large are the actuaries responsible for this communication. They are Members of the American Academy of Actuaries and Fellows of the Society of Actuaries. They meet the Qualification Standards of the American Academy of Actuaries to issue this report. Abby Wolpern and Michael Cohen contributed to this report.

**Intended Users.** This information has been prepared for the sole use of New Mexico. Distribution to parties should be made in its entirety and should be evaluated only by qualified users. The parties receiving this report should retain their own actuarial experts in interpreting results.

**Risks and Uncertainties.** The assumptions and resulting estimates included in this report and produced by the modeling are inherently uncertain. Users of the results should be qualified to use it and understand the results and the inherent uncertainty. Actual results may vary, potentially materially, from our estimates. Wakely does not warrant or guarantee that New Mexico will attain the estimated values included in the report. It is the responsibility of those receiving this output to review the assumptions carefully and notify Wakely of any potential concerns.

**Conflict of Interest.** The responsible actuaries are financially independent and free from conflict concerning all matters related to performing the actuarial services underlying these analyses. In addition, Wakely is organizationally and financially independent of New Mexico.

**Data and Reliance.** We have relied on others for data and assumptions used in the assignment. We have reviewed the data for reasonableness, but have not performed any independent audit or otherwise verified the accuracy of the data/information. If the underlying information is incomplete or inaccurate, our estimates may be impacted, potentially significantly. The information included in the 'Data and Methodology' and 'Reliances and Caveats' sections identifies the key data and reliances.

**Subsequent Events.** These analyses are based on the implicit assumption that the ACA will continue to be in effect in future years with no material change. Material changes in state or federal laws regarding health benefit plans may have a material impact on the results included in this report. Material changes as a result of Federal or state regulations may also have a material impact on the results. There are no specifically known relevant events subsequent to the date of engagement that would impact the results of this report.

**Contents of Actuarial Report.** This document (the report, including appendices) constitutes the entirety of actuarial report and supersede any previous communications on the project.

**Deviations from ASOPs.** Wakely completed the analyses using sound actuarial practice. To the best of our knowledge, the report and methods used in the analyses are in compliance with the appropriate ASOPs with no known deviations. A summary of ASOP compliance is listed below:

ASOP No. 23, Data Quality

ASOP No. 25, Credibility Procedures

ASOP No. 41, Actuarial Communication