

Actuarial Value

Actuarial value is a measure of the level of protection a health insurance plan offers. It is expressed as a percentage of the cost of covered benefits for which the plan pays. Actuarial value depends on both the extent of covered benefits and the cost-sharing for which enrollees are liable when they use health services. Broad coverage and lower cost sharing lead to a higher actuarial value, while fewer benefits and higher cost sharing mean lower actuarial value for a plan. The Patient Protection and Affordable Care Act (PPACA) defines the actuarial value that will be provided by plans that offer the essential health benefits package.

Different health plans can offer different mixes of benefits and cost-sharing to achieve the same actuarial value. For instance, one plan may provide a broader set of benefits for certain services and charge \$50 co-pays. Another plan might offer a narrower set of benefits, but charge \$20 co-pays. The two plans, though, might each cover 85% of the cost of covered benefits when averaged over the health needs of a standard population.

Table 1. Examples of different policies with the same actuarial value

Actuarial Value	Cost Sharing Features	Policy A	Policy B
85%	Deductible	\$250	\$275
	Coinsurance	15%	10%
	OOP limit	\$2,200	\$5,000

Source: House Ways and Means Committee

Since actuarial value is not calculated with regard to individuals, a person enrolled in a plan with an actuarial value of 70% would not necessarily have 70% of his or her covered health expenses paid by the plan. Individuals with health spending that differs from the average, such as cancer patients, may face higher or lower liability for health costs from plans of equivalent actuarial value, depending on how well their health needs match with the specific benefits offered by the plan. For example, one plan with actuarial value of 70% might offer low cost-sharing for outpatient therapies, but higher cost-sharing for hospitalizations. Such a plan would be preferable for a patient whose treatment was delivered on an outpatient basis if an alternative plan had the same actuarial value but higher charges for outpatient services. For more information, see the [Plan Ratings Brief].

Under PPACA, many plans will be required to offer an essential health benefits package and set their cost-sharing so that they achieve a specified actuarial value. So-called “qualified” plans will cover sixty (Bronze), seventy (Silver), eighty (Gold), or ninety (Platinum) percent of the full actuarial value of the essential health benefits for a standard population.¹

¹ PPACA § 1302(d).

For more information on actuarial value, see the September 2009 Cancer Action Network publication “Issue Brief: Using Actuarial Value to Define Cost Sharing Subsidies.”

BY JOE TOUSCHNER AND SABRINA CORLETTE