



Actuarial Value - What Does it Mean?



Actuarial Value is a calculation that illustrates the average percentage of covered services that will be paid by the plan. This calculation is based on the ten Essential Benefits mandated by the Patient Protection and Affordable Care Act (PPACA) to make the health care plan ACA compliant, as well as total plan cost share provisions such as Deductible and Out of Pocket maximum amounts.

The 10 Essential Benefits are as follows:

1. Ambulatory patient services
2. Emergency care services
3. Hospitalization
4. Maternity and newborn care
5. Mental health and substance abuse disorder services
6. Prescription drugs
7. Rehabilitation and habilitation services and devices
8. Laboratory services
9. Preventive and wellness services and chronic disease management
10. Pediatric services including oral and vision care



Actuarial Value calculations are also used to place ACA compliant medical plan in appropriate Metal Tiers as follows:

- Platinum Actuarial Value of 90% or greater
- Gold Actuarial Value of 80% - 89.99%
- Silver Actuarial Value of 70% - 79.99%
- Bronze Actuarial Value of 60% - 69.99% (this is also the minimum value for ACA compliant plans)

The Actuarial Value (AV) calculation is performed by taking the cost share of the In-Network plan provisions for the 10 Essential Benefits: *i.e., Hospitalization covered at 80% after deductible* and factoring in the Annual plan deductible and Out of Pocket Maximum amounts.

From this calculation we will come up with an Actuarial Value percentage such as 88.20%. This percentage represents, on average, the total amount the plan will pay (plan cost share) versus the amount the member will pay (member cost share). In the example, the member will be responsible for 11.8% of their total plan expense.

It is important to keep in mind that the Actuarial Value is based on plan cost share (Deductibles and Out-of-Pocket maximums) plus the 10 Essential Benefits. It is used as a measurement to compare plans and properly place them in the correct Metal Tier. Many plans will have additional benefits outside of the mandated Essential Benefits that are not part of the Actuarial Value calculation. It is important to remember the amount that employees and dependents pay in out-of-pocket expenses will vary based on medical usage.

For group health plans, employer contributions to a health savings account will be included in the actuarial value determination. HSA contributions paid directly by the individual would not count towards actuarial value.