Federal Affordable Care Act
Reforms of the Individual Insurance Market

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Health Insurance Alignment Project

- Independent, California-specific policy research, analysis and technical assistance

- Focus on state implementation of the Affordable Care Act and coordination of health insurance regulation and oversight

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California Individual Market Rules
Pre-Affordable Care Act

• Carriers can deny coverage or charge higher rates based on health status or claims experience

• Guaranteed availability in limited programs for people moving from job-based to individual coverage (COBRA, Cal-COBRA, HIPAA, conversion)

• Coverage is generally guaranteed renewable
California Individual Market Rules

Pre-Affordable Care Act

• Pre-existing condition exclusions are limited to 12 months with credit for prior coverage

• No rating factors or rules in the general individual market

• State-administered and funded high risk pool, Major Risk Medical Insurance Program
Early Federal Individual Market Reforms

- Guaranteed coverage for children
- No pre-existing condition exclusions for children
- Dependent coverage through age 26
- No lifetime coverage limits
- Phase out of annual coverage limits leading to no limits by 2014
- Restrictions on rescissions of coverage
- Temporary, federally funded high risk pool
- Medical loss ratio, requires 80% of premium be spent on clinical services (2011)
2014 Individual Market Reforms

• Guaranteed availability for adults and children

• Specific prohibited factors for health insurance eligibility (health status, medical or mental health condition, genetic information, claims experience, domestic violence, etc.)

• No pre-existing condition exclusions
2014 Individual Market Reforms

• Authorization for carriers to conduct open enrollment but not required
• If carrier limits availability to open enrollment, must have special enrollment periods similar to COBRA
• Exchange rules specify open enrollment /special enrollment periods and circumstances for Exchange plans
• Guaranteed renewal, except for fraud or nonpayment of premiums
2014 Individual Market Reforms

• Exceptions to guaranteed issue and renewal only with protections:
  – Uniform application without regard to health status
  – Lack of sufficient delivery system (180 day bar to market)
  – Lack of adequate financial capacity
    • 180 day bar or until regulator approves, whichever is later
  – Carrier discontinues a specific product
    • 90 days notice
    • Must offer and guarantee all products offered in that area
  – Carrier stops selling all individual coverage
    • 180 day notice
    • Five year bar
2014 Individual Market Reforms

- Rating factors – Rates may vary by:
  - Family or individual
  - Age (3:1)
  - Geographic regions (state established)
  - Tobacco use (1.5:1)
2014 Individual Market Reforms

• Rating factors
  – Age
    • Proposed one year increments using a standard age curve developed by the state or using the federal default
    • Proposed uniform age bands: 0-20, 21-63, and 64 and over
  – Geographic regions
    • State established regions
    • Up to seven per state based on county, zip code or MSA
    • States can propose more than seven for federal approval
Programs to stabilize the market

• Temporary reinsurance
  – Three-year transitional program to partially offset risk of high-cost enrollees
  – State or federal administration at state option

• Risk adjustment
  – Charges plans with lower-than-average risk to make payments to plans with higher-than-average risk
  – State or federal administration at state option

• Risk corridors
  – Federal three-year transitional program for Exchange qualified health plans and substantially similar plans outside of the Exchange
Other related federal reforms

• Coverage tiers (Platinum, Gold, Silver, Bronze and catastrophic)
  – Process for determining actuarial values to inform consumer choices
  – Existing state law on products than can or must be sold inside and outside

• Exchange qualified health plan detailed requirements with potential impact on outside market

• Minimum essential coverage definition

• Standardized summary of benefits and coverage

• Essential health benefits (state legislation enacted in 2012)

• Cost sharing limits
State Role

• May enact stronger standards than federal law if it does not prevent the application of federal provisions

• Traditional insurance regulatory and oversight role remains and applies to federal reforms

• Harmonize application of market rules inside and outside of the Exchange

• Areas for state action
  – Enact / enforce implementing state law, reconcile existing state law
  – Establish geographic rating regions
  – Choose to administer risk adjustment / reinsurance or allow federal government to do it
QUESTIONS?

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