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Individual Insurance Cancellation Letters
Frequently Asked Questions

Updated November 25, 2013

This document answers frequently asked questions about the cancellation letters received by some individuals who privately purchase insurance and how the Affordable Care Act (ACA) interplays with this scenario. Please email trainme@itup.org if you have additional questions that are not answered here.

Cancellation Letters

Q: *I heard that some people have had their insurance cancelled. What is going on?*
A: Some individuals have received letters from their insurance companies notifying them that their plans will no longer be available in 2014. While insurance companies can and do terminate plans at any time, this group of cancellations has been attributed to the implementation of the Affordable Care Act.

Q: *What plans are being cancelled? Why are they being cancelled?*
A: Plans that do not meet the requirements of the ACA, are not being updated, and are not exempt under the law are being cancelled. The ACA granted all plans in existence on March 23, 2010 grandfathered status, meaning that they are exempt from most of the law's requirements, until the plan is significantly altered and loses its grandfathered status. Plans that were created after March 23, 2010 or have changed significantly are not grandfathered, and thus must implement the ACA's consumer protection requirements in 2014. Some insurance companies have chosen to cancel their non-grandfathered plans and direct members to plans that meet the ACA's requirements. Members of companies who have chosen to update the plans may still receive cancellation letters, as the changes essentially create new plans. An estimated 900,000 people in California are enrolled in non-grandfathered plans that may be cancelled.

Q: *Obama said the plans can now keep old policies. Can I keep my plan?*
A: A few people can keep policies through 2014. President Obama has authorized state regulators to allow insurers to extend non-grandfathered policies for one year. California Insurance Commissioner Dave Jones stated shortly after Obama's announcement that he would allow insurance carriers under his jurisdiction to extend substandard policies. However carriers that participate in Covered California are subject to contracts that require the cancellation of all non-grandfathered substandard policies outside of the Exchange. The Board of Covered California decided not to modify the contracts, thus companies that participate in the Exchange cannot offer extensions. Insurers that do not participate in Covered California will be allowed to extend policies through 2014, if they are renewed by the end of 2013, however this is at the option of each carrier. If you are unsure if you have the option to extend, call your insurance company.

Q: *What changes do plans have to make to become compliant under the ACA?*
A: As of 2014, non-grandfathered non-group and small group plans must cover the 10 essential health benefits, provide a maximum annual out-of-pocket limit of $6,350 for individuals, and limit age-rated premiums for older members to three times the cost of younger members. Companies cannot impose annual dollar limits in benefits and cannot refuse or charge members more for having pre-existing conditions.

Q: *I got a letter saying my insurance company no longer sells insurance in California. Is this the same thing?*
A: Earlier this year two insurance companies (United and Aetna) chose to no longer participate in the individual insurance market in California. They are not selling insurance to individuals inside or outside the Exchange in California. They are still selling group plans to employers. If you received a letter from one of these companies, you will need to purchase insurance through another company. An estimated 50,000 people in California have been dropped by these companies.

Q: *What options do I have? Should I take the new plan my insurance company is offering?*
A: Most people have three main options: enroll in the new plan offered through your current insurance company, enroll in a plan through Covered California, or shop for another plan outside of the Exchange. Regardless of what is being offered, you should shop around; all individual insurance plans are now guaranteed issue. Depending on your income, you may qualify for financial assistance from the federal government for a plan purchased through Covered California. Compare the offerings in Covered

California with what is being offered by your current insurance company. Consider provider networks, premium costs, cost sharing requirements, drug formularies, and overall benefits when making your decision.

Q: *I liked my old plan because I am healthy and it was inexpensive. Can I get something similar in Covered California?*
A: Possibly. If you are under 30, you can get a catastrophic or minimum coverage plan. You can also qualify for this type of plan (even if you are over 30) if there is no plan available to you that costs less than 8% of your household income. These catastrophic plans do not cover services (with the exception of preventative services and three primary care visits) until you hit the $6,350 out-of-pocket max, after which there is no cost sharing. The premiums for this type of plan can be very affordable, about $131 a month for the most affordable plan for a 25-year-old in Los Angeles, however you cannot receive premium assistance from the federal government to make your premiums more affordable. Thus this option may be more appropriate for those who don't qualify for premium assistance, as they have incomes above 400% of the federal poverty level.

Q: *I'm in a grandfathered plan. What do I need to do?*
A: If you are in a privately purchased plan that is grandfathered, you don't have to do anything. You may still want to explore your options through Covered California, as you may be able to get comparable or better coverage, possibly at a lower price.

Q: *Are people who got cancellation letters getting an extension of their coverage?*
A: Blue Shield of California and Anthem Blue Cross members are getting a short extension of their current plans, totaling about 217,000 people. Anthem customers will have until the end of February 2014, while Blue Shield customers will have until the end of March. These plans are offering extensions because they did not give members enough notice of the cancellation, as required by state law. Members of these plans should pay close attention to the Covered California open enrollment deadlines. Those who have not enrolled in Covered California by March 31, 2014, will have to wait until the next open enrollment period October 15, 2014, unless they have a special life event.

Q: *Did Covered California make insurance companies cancel plans?*
A: As part of the negotiation process, Covered California required insurance companies participating in the Exchange to cancel non-grandfathered plans that were not ACA compliant. This was done both to protect consumers and the insurance companies. Allowing insurance companies to sell policies under pre-ACA rules (plans sold in 2013 are subject to pre-ACA rules for an entire 12-month max contract, which would go into 2014) would prevent eligible members from receiving premium assistance in 2014. Additionally, leaving members in the pre-ACA plans could damage both risk pools. Since insurance companies have to accept all members regardless of health status, there needs to be a balance of the healthy, sick, old, young, etc. enrolled to keep premiums reasonable. Allowing plans to sell the pre-ACA plans would split the healthy and less healthy into two different risk pools, which would drive up premiums in both pools over time. Initially the new pool would be higher risk while over time the older non-compliant pool would become a stagnant risk pool with escalating premiums.

Q: *But what about "If you like it, you can keep it?"*
A: While the President's promise of "If you like it, you can keep it" is not universally true since it only applies to grandfathered plans, the cancellation of non-compliant plans is necessary to get people reliable, affordable, and adequate coverage. One of the major goals of the ACA is to improve the individual insurance market, which has historically been incredibly expensive relative to its quite limited benefits, and still has excluded people with pre-existing conditions. To fix these issues, the federal government now mandates that insurance companies provide the benefits that everyone needs to all people, regardless of health status. Financial assistance is available to all people who can't otherwise afford to purchase essential health coverage.

To achieve these goals, improvements had to be made to the plans previously offered. While some people will lose the plans they like, they will get better coverage – more reliable and more affordable for the covered benefits whether they get sick or stay healthy. For many people with coverage, the new coverage they get will be cheaper because of premium assistance. For those who make too much to qualify for subsidies, the catastrophic plan option will be available, which will provide coverage similar to what they used to have, but still with additional protections of guaranteed issue and minimum essential benefits, at low prices.