

Overview: Proposed Rule for Health Insurance Market Reforms

The Centers for Medicare & Medicaid Services (CMS) is publishing a proposed rule to implement several key provisions of the Affordable Care Act to prevent insurance companies from discriminating against people with pre-existing conditions and protect consumers from the worst insurance company abuses. Today, as many as 129 million—or 1 in 2—non-elderly Americans have some type of pre-existing health condition, ranging from life-threatening illnesses like cancer to chronic conditions like diabetes, asthma, or heart disease. In most states, these consumers can be denied individual health insurance coverage or have benefits for medical conditions excluded by insurance companies. In addition, individuals and small employers often find that they have few protections against exorbitant premiums increases. To address these problems, starting in 2014, provisions of the proposed rule include:

Guaranteed Availability of Coverage

Health insurance issuers generally would be prohibited from denying coverage to people because of a pre-existing condition or any other factor. Individuals generally would need to buy coverage during open enrollment periods. In addition, individuals would have new special enrollment opportunities in the individual market when they experience certain losses of other coverage.

Fair Health Insurance Premiums

Health insurance issuers in the individual and small group markets would only be allowed to vary premiums based on age (within a 3:1 ratio for adults), tobacco use (within a 1.5:1 ratio and subject to wellness program requirements in the small group market), family size, and geography. All other factors – such as pre-existing conditions, health status, claims history, duration of coverage, gender, occupation, and small employer size and industry – would no longer be able to be used by insurance companies to increase the premiums for those seeking insurance.

Under the law, states can choose to enact stronger consumer protections than these minimum standards. In addition, starting in 2017, states have the option of allowing large employers to purchase coverage through the Exchanges. For states that choose this option, these rating rules also would apply to all large group health insurance coverage. These proposed rules standardize how health insurance issuers can price products, bringing a new level of transparency and fairness to premium pricing.

Single Risk Pool

Health insurance issuers would be required to maintain a single statewide risk pool for each of their individual and small employer markets, unless a state chooses to merge the individual and small group pools into one pool. Premiums and annual rate changes would be based on the health risk of the entire pool. This provision prevents insurers from using separate insurance pools within markets to get around

the market reforms and to charge people with greater health problems higher premiums by increasing their premiums at higher rates than other, healthier risk pools.

Guaranteed Renewability of Coverage

The proposed rule would reaffirm existing protections that individuals and employers have with respect to coverage renewal. For example, these protections would prohibit issuers from refusing to renew coverage because an individual or employee becomes sick or has a pre-existing condition.

In addition, the proposed rule includes some additional provisions to protect consumers and increase choice for small employers.

Catastrophic Plans

The proposed rule also includes provisions for enrollment in catastrophic plans. Catastrophic plans have lower premiums, protect against high out-of-pocket costs, and cover recommended preventive services without cost sharing—providing affordable individual coverage options for young adults and people for whom coverage would otherwise be unaffordable.

Finally, in preparation for the market changes in 2014 and to streamline data collection for insurers and states, the rule proposes amendments to the rate review program.

To see the proposed rule, please visit: <http://www.ofr.gov/inspection.aspx>

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