



## Health Care Reform **Bulletin**

# White House Announces Transition Policy for Canceled Health Plans

Provided by Brown & Brown Consulting

### Quick Facts

- Many key ACA reforms will take effect in 2014 and require health plan changes.
- Due to these reforms, health insurance issuers have been sending cancellation notices to consumers.
- Responding to pressure from consumers and Congress, the White House announced a transition policy for 2014, which may allow individuals and small businesses to keep their coverage for another year.

On Nov. 14, 2013, President Obama announced a policy that may allow individuals and small businesses whose coverage is being canceled to keep their coverage for an additional year.

The Affordable Care Act (ACA) includes key reforms that create new coverage standards for health insurance policies, beginning in 2014. For example, effective for 2014 plan years, the ACA imposes new modified community rating standards and requires individual and small group policies to cover a comprehensive set of benefits.

Over the last few months, millions of Americans have received notices informing them that their health insurance plans are being canceled because they do not comply with the ACA's reforms. President Obama has received criticism that these cancellations go against his assurances that if consumers have a plan that they like, they can keep it. Both Republican and Democrat members of Congress have been advocating changes to the ACA to resolve the cancellation issue.

Responding to pressure from consumers and Congress, on Nov. 14, 2013, President Obama announced a **new transition policy for 2014**. Under the new policy, individuals and small businesses whose coverage has been canceled (or would be canceled) because it does not meet the ACA's standards may be able to re-enroll or stay on their coverage for an additional year.

However, this one-year reprieve may not be available to all consumers. Because the insurance market is primarily regulated at the state level, state governors or insurance commissioners will have to allow for the transition relief. Also, health insurance issuers are not required to follow the transition relief and renew plans, and have expressed concern that the change could disrupt the new risk pool under the federal and state Health Insurance Marketplaces.

### Transition Relief Policy

The Department of Health and Human Services (HHS) outlined the transition policy in a [letter](#) to state insurance commissioners.

For 2014, health insurance issuers may choose to continue coverage that would otherwise be terminated or canceled due to the ACA's reforms, and affected individuals and small business may choose to re-enroll in the coverage.

Under this transitional policy, health insurance coverage in the individual or small group market that is renewed for a policy year starting between **Jan. 1, 2014, and Oct. 1, 2014** (and associated group health plans of small businesses), will not be considered to be out of



compliance with specified ACA reforms if certain conditions are met.

According to HHS, it will consider the impact of the transition relief in assessing whether to extend it beyond the specified timeframe.

The transitional relief is not available to grandfathered plans because these plans are not subject to most of the ACA's market reforms. According to President Obama, the transition relief is an extension of the grandfathered plan rules to additional health insurance policies.

#### **Specified ACA Reforms**

The specified ACA reforms subject to the transition relief are the following reforms that are scheduled to take effect for plan years starting on or after Jan. 1, 2014:

- Modified community rating standards;
- Guaranteed availability and renewability of coverage;
- Prohibition of pre-existing condition exclusions or other discrimination based on health status, except with respect to group coverage;
- Nondiscrimination in health care;
- Coverage for clinical trial participants; and
- Coverage of the essential health benefits package.

#### **Requirements for Transition Relief**

The transition relief only applies with respect to individuals and small businesses with coverage that was in effect on **Oct. 1, 2013**. It does not apply with respect to individuals and small businesses that obtain new coverage after Oct. 1, 2013. All new plans must comply with the full set of ACA reforms.

Also, the health insurance issuer must send a **notice** to all individuals and small businesses that received a cancellation or termination notice with respect to the coverage (or to all

individuals and small businesses that would otherwise receive a cancellation or termination notice with respect to the coverage).

#### **Notice Requirements**

The notice to individuals and small businesses must provide the following information:

- Any changes in the options that are available to them;
- Which of the specified ACA reforms would not be reflected in any coverage that continues;
- Their potential right to enroll in a qualified health plan offered through a Marketplace and possibly qualify for financial assistance;
- How to access such coverage through a Marketplace; and
- Their right to enroll in health insurance coverage outside of a Marketplace that complies with the specified market reforms.

Where individuals or small businesses have already received a cancellation or termination notice, the issuer must send this notice as soon as reasonably possible.

Where individuals or small business would otherwise receive a cancellation or termination notice, the issuer must send this notice by the time that it would otherwise send the cancellation or termination notice.

