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Obama's Affordable Care Act creates perplexing array of possibilities

LETTER TO THE EDITOR

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Recently, the Kaiser Family Foundation issued a brief on "Implementing New Private Health Insurance Market Rules," and it leaves room for some interpretations.

Especially since it admits that implementing some goals of the Affordable Care Act (ACA) involve certain "tradeoffs!"

First, the definition of those who purchase health insurance inside or outside the insurance exchanges are either individuals or small employers having two to 50 employees.

This effectively eliminates association health plans because member employers will be subject to the same regulations and choices as other independent employers.

Then the ACA will require all individual and group health insurance plans not only to be guaranteed issue, regardless of health status, but also to cover all pre-existing conditions as of the coverage effective date.

However, individual coverage will only be available at initial and at subsequent open enrollment periods, with the exception being a qualifying event.

So, in view of the fact that all pre-existing conditions are covered, what's to stop a pregnant couple from pur-

chasing health insurance, having the delivery, and dropping coverage?

When my wife and I administered the Arizona Small Business Association health plan under CIGNA, which was (and still is) guaranteed issue and covers all pre-existing conditions, this scenario happened quite frequently.

Also, under current law, an insurer can non-renew insurance coverage for reasons ranging from non-payment of premiums to fraud by the policyholder.

Under the ACA, cancellation will only be due to a nonpayment or late premium payment (there are still no guidelines on what constitutes a late payment), but not necessarily for an act of fraud.

For the individual health insurance market, the ACA stipulates a single risk pool, regardless of health status, both inside and outside of the health insurance exchange.

As a result, the healthy and the sicker people will pay the same premium eliminating any incentives for cost containment.

This seems contrary to the original intent of the law, which supposedly promotes wellness.

Then, insurance premiums will be "modified community rated," which means no consideration of health status, gender, or occupation, but age,

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geography and tobacco use will be allowed.

This will create a great deal of uncertainty among firms with high turnover as the resulting average age of the group could vary each month, thus complicating any creation of an expense budget.

And, not being gender-specific, the 25-year-old male will pay the same rate as the 25-year-old female (of child-bearing age.)

The ACA stipulates that smokers have a premium surcharge of 150 percent and gives insurers the discretion to

vary this percentage between younger and older individuals. This creates a perplexing array of possibilities.

Insurers could have a lower surcharge for younger rather than older policyholders.

Furthermore, the premium surcharge cannot be included for anyone eligible for premium tax credits in the exchange, which could make the coverage unaffordable to some.

However, the ACA does not define tobacco use nor give any direction as to how the insurer is supposed to find out who smokes and who doesn't.

Then there are the "Essential Health Benefits" where 10 categories of services must be covered.

Two notable ones, maternity and pediatric (including orthodontics) dental care, are not currently offered with individual health insurance.

Also there will be some confusion for two other essential health benefits — ambulatory and rehabilitative services — as to what services will be included.

Insurance companies are again given discretion as to what benefits will fall within these categories and will be able to "modify and substitute benefits" or apply "restrictive limits" depending upon their financial "value."

And there is more! The Kaiser Family Foundation study further explains that health insurance "plans must not design covered benefits in ways that discriminate against individuals based on age, health status or related factors."

This statement may be an indication that the ACA was actually written by trial lawyers for trial lawyers!

— Henry Grosjean has been an independent insurance broker since 1979.