

How Are Grandfathered Insurance Plans Affected By the Affordable Care Act?



The U.S. Department of Health and Human Services (HHS) issued a final rule Friday, February 22nd that implements five key consumer protections from the Affordable Care Act, and makes “the health insurance market work better for individuals, families, and small businesses.”

“Because of the Affordable Care Act, being denied affordable health coverage due to medical conditions will be a thing of the past for every American,” said HHS Secretary Kathleen Sebelius. “Being sick will no longer keep you, your family, or your employees from being able to get affordable health coverage.”

What are grandfathered health plans?

If you have health coverage from a plan that existed on March 23, 2010 – and that has covered at least one person continuously from that day forward – your plan may be considered a “grandfathered” plan.

This is true whether you are covered by an individual health insurance policy that you had on that date, or you are covered by a job-based health plan that your employer established before March 23, 2010. This is true even if you enrolled in that job-based plan sometime later.

A grandfathered health plan isn’t required to comply with some

of the consumer protections of the Affordable Care Act that apply to other health plans that are not grandfathered.

Currently, all health plans:

- Are prohibited from applying lifetime dollar limits to key health benefits.
- Are not permitted to cancel your insurance coverage solely because of an honest mistake that you or your employer made on your insurance application.
- Must extend dependent coverage to your adult children until they turn 26 years old with one temporary exception. (Until 2014, grandfathered group plans do not have to offer dependent coverage up to age 26 if a young adult is eligible for group coverage outside their parent's plan)

Consumer Protections in the Health Care Law that DO NOT Apply to Grandfathered Plans:

Unlike other health plans, job-based plans and grandfathered plans are **not** required to:

- Provide certain recommended preventive services at no additional charge to you.
- Offer new protections when you are appealing claims and coverage denials.
- Protect your choice of health care providers and your access to emergency care.

Consumer Protections in the Health Care Law that do not apply to Grandfathered Individual Plans:

Grandfathered *individual* health insurance policies – not the kind you get through work – in addition to the exclusions above **are not** required to adopt the provisions of the law that:

- Phase out annual dollar limits on key benefits.
- Eliminate pre-existing condition exclusions for children under 19 years old.

Five key provisions of the Affordable Care Act that are applicable to non-grandfathered plans:

Guaranteed Availability

Nearly all health insurance companies offering coverage to individuals and employers will be required to sell health insurance policies to all consumers. **No one can be denied health insurance because they have or had an illness.**

Fair Health Insurance Premiums

Health insurance companies offering coverage to individuals and small employers will only be allowed to vary premiums based on age, tobacco use, family size, and geography. Basing premiums on other factors will be illegal. The factors that are no longer permitted in 2014 include health status, past

insurance claims, gender, occupation, how long an individual has held a policy, or size of the small employer.

Guaranteed Renewability

Health insurance companies will no longer refuse to renew coverage because an individual or an employee has become sick. You may renew your coverage at your option.

Single Risk Pool

Health insurance companies will no longer be able to charge higher premiums to higher cost enrollees by moving them into separate risk pools. Insurers are required to maintain a single state-wide risk pool for the individual market and single state-wide risk pool for the small group market.

Catastrophic Plans

Young adults and people for whom coverage would otherwise be unaffordable will have access to a catastrophic plan in the individual market. Catastrophic plans generally will have lower premiums, protect against high out-of-pocket costs, and cover recommended preventive services without cost sharing.