



Health Policy Snapshot

Health Insurance Coverage

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ISSUE BRIEF

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What consumer protections are embedded in the Affordable Care Act?

Takeaways:

- A major goal of the Affordable Care Act (ACA) is to improve the U.S. health care system by regulating insurance companies and introducing new consumer protections.
- Key provisions limit insurers' ability to deny, limit or cancel coverage, end annual and lifetime spending caps and ensure that more premium dollars are spent on delivering and improving care.
- The ACA extends coverage for people with pre-existing conditions and young adults.

Overview

Consumer protections and market reforms designed to end certain insurer practices and address barriers to health care coverage, quality and access are central to the ACA, which became law on March 23, 2010. Many of these protections already apply. Others will be rolled out by 2014.

REGULATING HEALTH INSURERS

The ACA aims to protect consumers from some common practices of insurance companies. The law has provisions for existing plans to be “grandfathered” and exempt from these regulations.

- **Ends exclusions because of pre-existing conditions.** Insurers can no longer deny or limit coverage based on a health problem, disease or

disability developed prior to a person applying for coverage. This provision, which took effect for children in September 2010, will apply to all individuals by 2014.¹

- **Bans insurers from rescinding coverage except in very specific circumstances.** As of September 2010, insurers can no longer rescind or cancel a member's coverage arbitrarily or because of illness, except in cases of non-payment or fraud.²
- **Restricts annual and lifetime limits on coverage.** As of September, 2010, health plans can no longer place a dollar limit on lifetime care. Annual limits on spending will be phased out by 2014.³ These protections apply to essential benefits, such as: doctor visits, chronic disease management, prescription drugs, emergency, hospitalization, preventive, laboratory, pediatric, mental health and rehabilitative services.
- **Regulates premium rates and revenues.** Insurers spend a substantial portion of the revenues from member premiums on administrative and other costs not directly related to health care, such as claims processing, underwriting, marketing, utilization review, management and profit. The ACA's medical-loss ratio provision now requires insurers to spend at least 85 percent of every premium dollar on direct medical care or improvements to care.³ Insurers may be exempt in states that apply for a waiver based on the prospect of market destabilization.

- **Protects choice of doctor.** The law preserves the right of health plan members to choose any primary care provider for themselves or pediatrician for their children, as long as the physician is available and participating in the plan. Insurers are now prohibited from requiring a referral for obstetrical or gynecological care.³
- **Makes emergency services more affordable.** Insurers are banned from charging higher co-payments for emergency services obtained out of their network.²

EXTENDING COVERAGE TO MORE PEOPLE

The ACA aims to extend health insurance coverage to 32 million people who are currently uninsured. It employs a variety of approaches to achieve this goal:

- **Expands options for consumers with pre-existing conditions.** Starting in 2014, adults with pre-existing conditions will have access to affordable choices through a state health insurance exchange, an organized marketplace where consumers can purchase insurance. Until then, individuals ages 19 and older can enroll in the Pre-Existing Condition Insurance Plan—a health insurance plan administered either by a state or by the Department of Health and Human Services that will provide a new health coverage option for Americans who have been denied coverage based on a pre-existing condition and have been uninsured for at least six months.³
- **Offers options for young adults.** Individuals 26 and younger can remain on their parents' plan. For group plans starting after March 23, 2010, young adults may qualify for coverage even if they aren't living with their parents, are out of school, are financially independent or are married.³
- **Reduces cost for prevention.** Approved preventive services, such as vaccinations and certain services for women and children, are available without co-payment under most plans.¹

- **Makes insurance more affordable.** Beginning in 2014, individuals and families whose incomes are up to 400 percent of the federal poverty level (\$43,320 for individuals⁴ and \$88,200 for a family of four) will qualify for subsidies to purchase coverage through state exchanges.²

BENEFITS TO CONSUMERS

- **Reduced costs.** Currently, Americans who have health insurance are charged higher premiums to help cover the costs of care for the uninsured. Expanding coverage will reduce the cost of paying for this uncompensated care by an estimated 61 percent.⁵
- **Improved health.** Extending coverage to more high-risk Americans, who often go without care despite their medical needs, will result in improved health and fewer premature deaths.
- **More financial stability.** Having health insurance is associated with a decline in the probability of having to borrow money or skip paying other bills to pay medical expenses.⁶ ACA offers access to affordable quality coverage, which should provide more financial stability for millions of Americans.

WANT TO KNOW MORE?

- [Healthcare.gov](http://www.healthcare.gov)
- [Implementing Health Reform: Employer & Consumer Issues \(Alliance for Health Reform\)](http://www.allhealth.org/publications/Uninsured/Implementing_Health_Reform_Employer_and_Consumer_Issues_(Alliance_for_Health_Reform))
- [Health Care and You](http://www.healthcare.gov/health-care-and-you)
- [Health Reform: How Will Consumers be Affected? \(RWJF\)](http://www.rwjf.org/files/research/72577.5294.oregon.nber.pdf)

¹<http://democrats.senate.gov/reform/patient-protection-affordable-care-act-as-passed.pdf>; <http://healthreform.kff.org/timeline.aspx>

²http://www.allhealth.org/publications/Uninsured/Implementing_Health_Reform_Employer_and_Consumer_Issues_101.pdf

³http://www.healthreform.gov/newsroom/new_patients_bill_of_rights.html

⁴<http://www.kaiserhealthnews.org/Stories/2010/March/22/consumers-guide-health-reform.aspx>

⁵<http://www.urban.org/publications/412267.html>

⁶<http://www.rwjf.org/files/research/72577.5294.oregon.nber.pdf>