

Group Limited Benefit Health Plan Talking Points

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Issue: Beginning September 23, 2010, the *Patient Protection and Affordable Care (PPACA) Act* prohibits group health plans from having annual dollar limits, except as allowed by the Secretary. Annual dollar limits are prohibited altogether beginning in 2014.

Problem: Uninsured rates for nontraditional workers are very high – with 30% of part-time workers lacking coverage. However, about 1.4 million workers nationwide have coverage through group limited benefit plans with annual caps on benefits. Many of these individuals work for large employers on a part-time, seasonal, or temporary basis, or are in a waiting period for an employer's regular health plan. Under recent health care reform legislation, these individuals could lose that coverage and be unable to access subsidized coverage until 2014.

Possible Solution: Provide a temporary, limited exemption from new annual benefit limit rules until 2014. The exemption would *only* apply to *certain* grandfathered group limited benefit plans:

- Offered to a narrow set of employees, including only:
 - Part-time employees not eligible for an employer's regular health plan for full-time employees, as determined in accordance with the employer's criteria in effect at PPACA enactment;
 - Seasonal workers, as determined in accordance with the employer's criteria in effect at PPACA enactment;
 - Temporary and contract workers with staffing companies; and
 - Full-time employees ineligible for coverage due to waiting period requirements or other eligibility rules consistent with those in place when PPACA enacted.
- Provided to the same categories of employees considered eligible at PPACA enactment (i.e., employer maintenance of effort).

This transitional solution would not apply to any plans after January 1, 2014.

Rationale: Granting this exception for certain group limited benefit plans would:

- *Provide coverage to workers who would otherwise be uninsured:* Large employers offer group limited benefit plans to cover employees who are not otherwise eligible for coverage -- such as part time workers, seasonal and temporary workers, or those in a waiting period for an employer's regular coverage. Large employers would be unable to provide coverage to these individuals under a regular, comprehensive benefit design without annual limits, and these lower income employees would be unable to afford such

coverage even if offered. In addition, these people would be unlikely to obtain coverage in the individual market if required to seek coverage on their own.

- *Assure workers can “keep what they have” until 2014:* The administration has assured individuals that health care reform would support individuals’ ability to keep coverage with which they are satisfied. About 430,000 individuals are enrolled in Aetna’s group limited benefit plans. Nationwide, an estimated 1.4 million workers are in group limited benefit plans. Prior to 2014, these individuals would be unable to access subsidies, making it difficult for many to afford coverage on their own.
- *Preserve access to guaranteed issue and community rated coverage:* Aetna’s group limited benefit plans provide coverage to individuals without regard to health status. In addition, premiums are community rated without regard to health status, age, or gender. The elimination of this benefit option prior to 2014 would leave many of these individuals in states with underwritten markets and premiums that vary based on age and gender.
- *Maintain subsidized coverage prior to 2014:* About 41% of Aetna’s employers subsidize their limited benefit programs for employees – with about 18% providing a full subsidy. These part-time, temporary and seasonal workers would not ordinarily qualify for any other subsidized coverage prior to 2014.
- *Offer important health services to enrollees:* Aetna’s group limited benefit plans typically offer maternity coverage – a benefit that is generally not available in the individual market. Enrollees in limited benefit plans save about 63% on a typical maternity stay because they have coverage. About 39% of Aetna’s limited benefit plan enrollees are under the age of 29 – prime child bearing years. The plans also cover important other benefits such as preventive services and outpatient diagnostic services.
- *Allow premiums to remain affordable:* Enrollees in group limited benefit plans are often lower income people who would have difficulty affording coverage on their own. Group limited benefit premiums generally cost \$20-\$30 per week (the equivalent of a few hours’ wages), amounting to \$1,040 to \$1,560 per year. This is significantly less than the \$11,058 per year on average for a typical comprehensive major medical plan (Source: Hewitt study). Additionally, limited benefit enrollees may access Aetna’s participating provider network and benefit from negotiated rates as much as 30-50% off the cost of many services.