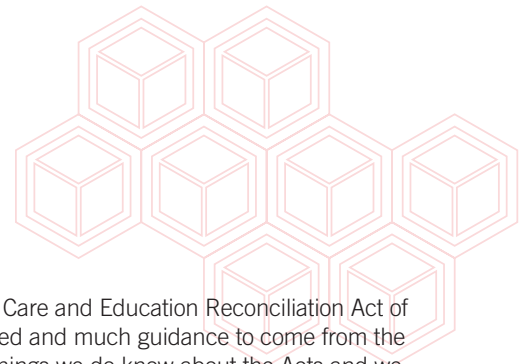


# Framework Health Plan's Health Care Reform Position Statement



With the passage of the Patient Protection and Affordable Care Act (“PPACA”) and the Health Care and Education Reconciliation Act of 2010, we face a new era in health insurance. There are many details that still must be explained and much guidance to come from the government to fully interpret the scope of this historic legislation. There are, however, several things we do know about the Acts and we feel it is appropriate – and necessary – to start discussing the bills’ potential impact on the limited medical benefits industry.

**To begin to attempt to understand what we are facing in the next couple of months, a brief timeline detailing the key dates relevant to limited medical plans is depicted below:**

3/23/2010 – PPACA signed into law

9/23/2010 – 6 months after bills’ signing, new requirements begin to kick in

9/24/2010 – When grandfathered plans begin to renew, they become subject to new requirements

10/1/2010 – First full month that renewals will be affected by the new requirements

1/1/2011 – A big renewal date for calendar year-based plans – these plans are subject to new rules

## What is a grandfathered plan?

A group health plan is a “grandfathered” plan if it had any participants on March 23, 2010. A “grandfathered” plan will be treated as providing essential health benefits, which means they will be required to provide the mandated coverage to avoid the tax penalties which come into play after 12/31/2013. Group health plans, even those grandfathered, will have to meet new requirements on or after 9/23/2010. These new requirements include:

- Lifetime and Annual Limits – These limits will no longer be allowed in group health plans. “Restricted” annual limits (to be defined) on “essential health benefits” will be permitted until 1/1/2014 – but early guidance indicates that overly restrictive annual limits on coverage will be banned for certain plans so that insured persons are not denied coverage on necessary care because they have reached their annual limit. For example, plans with a \$5,000 annual maximum would have to remove that restriction for renewals beginning after 9/24/2010. Plans written prior to that date would be allowed to operate as written until their next annual renewal in 2011.
- Dependent Children can remain on parent’s health plan until age 26.
- Coverage cannot be denied due to pre-existing conditions.
- Insurers cannot rescind coverage, except in cases of fraud.
- Certain preventive services and immunizations will be required to be covered.
- All limited medical plans that were considered “group health insurance plans,” plans that issued Letters of Creditable Coverage under HIPAA, plans identified as Limited Major Medical Plans that function similarly to traditional group plans with co-pays, deductibles, co-insurance and an annual overall maximum or a separate inpatient/outpatient maximum, will be subject to these new regulations starting 9/23/2010.

## Fixed Indemnity style limited medical plans are exempt from the requirements.

Fixed Indemnity plans are filed as supplemental and not subject to these new regulations, as opposed to the traditional group plans, which are. Due to the nature of their benefit design and their filing status, we believe that fixed indemnity plans will be a viable benefit option for part-time workers after 2013. These plans do not issue HIPAA creditable coverage letters, either, because if they were creditable coverage, they would have been considered a traditional group plan.

## So, what will carriers be doing with the limited medical policies that are subject to health care reform? Will they be cancelled, renewed at an astronomical rate, or switched to fixed indemnity?

Framework Health Plan has been informed by its carriers that this Act does not impact our plan designs and that we may continue to operate our limited medical plans with no changes. The group supplemental benefit plans that we design, service and sell will not meet the minimum requirements as a group health plan in 2014, but will still be available as supplemental benefits in 2014. The attractive features of fixed indemnity plans and Framework Health Plan, such as rate stability, flexibility with data files, enrollment expertise, missed premium collecting and payroll cycle billing that we are known for, will continue to be offered. Framework Health Plan and our fixed indemnity plans will be here to assist groups and brokers looking for a long-term solution.

**Health care reform legislation may leave you with many questions about limited medical plans and their future. Come to Framework Health Plan for answers.**



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