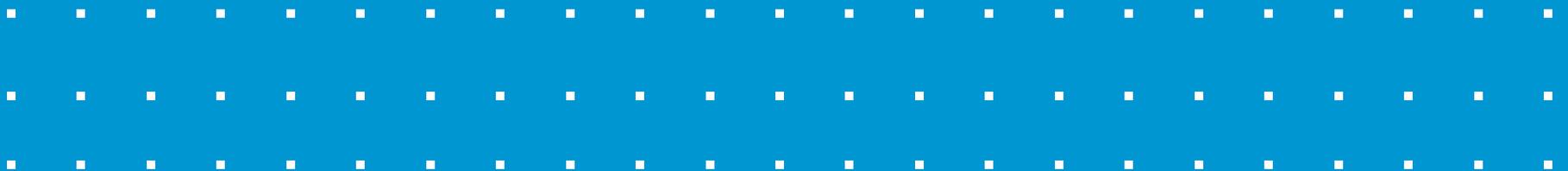




How has the Nongroup Market Changed Under the Affordable Care Act?

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Risk Segmentation v. Risk Sharing

- Prior to 2014 the nongroup market in the vast majority of states was characterized by risk segmentation:
 - The healthy were at financial advantage;
 - Much larger shares of health care costs fell on those who needed to use medical care.
- A central objective of the ACA was to spread the costs of those with health needs more broadly across the population.

Risk sharing = higher costs when healthy but more affordable access to necessary care when sick

Risk segmentation = savings when healthy but hampers affordability and access to care when sick

Pre-ACA Nongroup Market

- State rules determined access to health insurance, price paid, benefits covered;
- Only 5 states (MA, NY, NJ, VT, ME) had guaranteed issue (WA had conditional GI). Rest permitted outright denials;
- All states plus DC allowed pre-existing condition exclusion periods – limits of 6 to 36 months in 41 states and 10 had no time limit;
- 32 states allowed insurers to charge higher premiums for those with health problems with no limits. All of the rest allowed higher charges but with some limits, except NY and MA.

Pre-ACA Nongroup Market, Continued

- Common factors on which premiums varied:
 - Age
 - Gender
 - Geographic location
 - People's jobs (industry rating)
 - Length of time you'd had insurance and whether renewing
- Cost-sharing requirements (deductibles, co-insurance, etc.) could vary with health status/risk.

Pre-ACA Nongroup Policies

- Fearing adverse selection, nongroup insurers generally sold policies with limited benefits and high cost-sharing requirements;
 - Rarely covered mental health, substance use disorder treatment;
 - Rarely covered maternity care;
 - Generally excluded prescription drugs, or included with low limits;
 - Annual and lifetime limits common;
- Applicants couldn't get plan documents until enrolled, and documents were incredibly complicated to understand;
- Comparison shopping extremely difficult.

Changes Under ACA in a Nutshell

- Guaranteed issue of all products during annual OEP and SEPs;
- No pre-existing condition exclusion periods;
- Premiums can only vary by age (max 3:1) and tobacco use (max 1.5:1), no annual or lifetime \$ limits;
- All policies must include essential health benefits;
- All policies must adhere to cost-sharing standards;
- All policies must provide a standard summary of benefits and coverage provided;
- Financial assistance for those with incomes < 400% FPL;
- Changes permit comparison shopping, plus:
More covered benefits, less price variation = more sharing of health care costs across larger population.