



Private Health Insurance Policies/Proposals and How they Impact Health Care Consumers

Guaranteed Issuance

What is it?

Guaranteed issuance protects consumers from being denied insurance coverage due to their age, health status, or other characteristics.

How does it impact Maine people?

There have been recent proposals to remove guaranteed issuance protections from Maine law. If guaranteed issuance was removed, insurers would be allowed to deny health insurance coverage based on health status (i.e., when someone is diagnosed with a chronic condition or disability) for an unlimited period of time. It is important to note that even under Maine law (and in most other states in the U.S.), if you have been without insurance coverage for 90 days or more, an insurance carrier can deny coverage of the costs of services related to the treatment of a “prior” medical condition for up to one-year.

Guaranteed Renewal

What is it?

Guaranteed renewal is similar to guaranteed issuance except it applies to policies that are up for renewal. In other words, guaranteed renewal protects consumers from being denied renewal of the same insurance coverage that they currently have when their policy is up for renewal (as long as the consumer has not missed payment for the policy).

How does it impact Maine people?

There have been recent proposals to remove guaranteed renewal protections from Maine law. If guaranteed renewal was removed, insurers would be allowed to deny renewal of health insurance coverage based on health status – i.e., when someone is diagnosed with a chronic condition or disability. In other words, the insurer could refuse to provide *any* insurance coverage to the consumer or the insurer could refuse to provide part of the coverage, i.e., they could refuse to cover any medical needs related to the disability or chronic illness.

Community Rating

What is it?

Community rating limits the difference in premium costs that an insurance carrier charges for a certain policy (offered to individuals and small employers) based on various factors such as age, geographic location, and industry. Currently, rate variation can be no more than 20% above or below the average rate set by the insurance carrier (this corresponds to a 50 percent difference between the highest rate charged and lowest rate charged). In current Maine law, there can be no rate variation based on health status or claims experience. However, insurance carriers can vary their rates on an unlimited basis outside of the rate bands for the following factors: family size, wellness program participation, smoking status, and group size (for employer coverage).

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How does it impact Maine people?

There have been recent proposals to remove community rating protections from Maine law or decrease the amount of protection it currently provides. This would allow insurance carriers to charge much higher premiums to individuals who are elderly, female, diagnosed with a chronic condition or disability, or those who are at risk for a certain medical condition. In states without community rating and in Maine, people who have chronic conditions or disabilities, or are at risk of these conditions/disabilities because of family history, are charged much higher premiums. This is how it was in Maine before our community rating law was enacted.

Mandated Benefits

What is it?

Mandated benefits are services that insurers are required to cover or offer to cover in their health care policies, such as coverage for prosthetic devices or equipment and supplies for diabetes. These mandates are part of Maine law. However, some have proposed legislation that would allow insurance companies to offer mandate-free policies.

How does it impact Maine people?

If such legislation were passed it would allow health insurance carriers to offer benefit coverage that does NOT include *any* level of coverage for certain services, including chiropractic services, prosthetics, mental health services, access to clinical trials, substance abuse treatment, and access to prescription drugs. Insurance companies would be able to decide what services they cover and if you wanted coverage for services not included in what they decided to be “standard coverage,” you would have to purchase expensive rider policies. This is another way for insurance companies to limit their risks and pass on costs to consumers.

High-Risk Pools

What are they?

High-risk pools segregate certain people (usually based on qualifying medical condition factors) into their own health coverage pool. They only cover the oldest, sickest people and, thus, do not spread risks and costs broadly across the young and old, and the healthy and sick. The insurance premiums in high-risk insurance programs are usually expensive, attract very few participants, and do not offer comprehensive insurance coverage (or offer it only after pre-existing condition waiting periods or high-deductibles are met). Many states that do not have guaranteed issue and renewal protections use these programs to cover those people who have been denied coverage by commercial insurance companies. Currently, Maine does not have a high-risk pool, but we did have one between 1988 and 1994 (when it was closed due to issues with financing).

How does it impact Maine people?

High-risk pool proposals are often introduced in the Maine legislature, but defeated. If passed, a high-risk pool would segregate people based on their medical conditions into a separate “pool” with much higher premiums and reduced benefits. This means that people with disabilities and/or chronic conditions would only be able to get coverage through the high-risk pool (as they would likely be denied coverage or priced out of other private insurance) and would likely not be able to afford the high premiums in the high-risk pool. In addition, the coverage would likely be limited and may exclude coverage of certain necessary medical services for this population.

Health Savings Accounts

What is it?

Health Savings Accounts (HSAs) are tax-advantaged savings accounts associated with certain qualifying high-deductible health insurance plans. They first became available in 2004, under the Medicare prescription drug and reform law enacted in December 2003 by the U.S. Congress (i.e., Medicare Modernization Act of 2003). HSAs are an expansion on medical savings accounts, which were much more limited in who was eligible to participate.

How does it impact Maine people?

HSAs are associated with high-deductible plans that are marketed to families that can least afford the costs of coverage, or to those most in need of health care services such as those with disabilities. HSAs promote high-deductible plans and coverage that is limited, which shifts the costs of health care onto consumers regardless of whether or not they can afford these costs. HSAs rely on the fact that households have excess income or resources to contribute to accounts, which is often not the case. Furthermore, HSAs are based on the myth that consumers will have enough knowledge and information to make the best decisions for their health care (i.e., the consumer would guide the doctor or health care professional with regard to what medications or procedures are needed or are most appropriate for a certain condition) and have the desire and enough information available to them to “shop around” for the best-priced service.

High-Deductible, Catastrophic Health Coverage

What is it?

By definition, catastrophic plans include high deductibles and cost sharing and sometimes also have limited benefit coverage. Deductibles are often in the range of \$5,000 - \$10,000.

How does it impact Maine People?

In a high-deductible plan, the consumer has to pay the cost of the deductible before coverage begins. For people who need services, this could cost \$10,000 a year in out-of-pocket expenses plus the cost of monthly premiums before services are covered by a policy. Research shows that higher cost-shifting onto individuals and families, especially for low-income individuals and families, discourages use of both unnecessary *and* necessary services. High deductibles only discourage use of more cost-effective preventive services. Moreover, many individuals and families cannot afford the high cost of the deductibles and premium payments.

Dirigo Health/DirigoChoice

What is it?

Dirigo Health is a broad reform effort passed by the Maine legislature in 2003 that includes various steps to increase access to health care, reduce the rate of cost increases for health care, and increase the quality of health care. These steps include a new health insurance program offered to small businesses, self-employed individuals, and eligible individuals, as well as the development of a state health plan, voluntary hospital cost targets, and efforts to provide consumers with information on health care quality.

The new health insurance program is called DirigoChoice. This program is a public-private partnership designed to help small businesses, the self-employed, and individuals access comprehensive health care coverage at an affordable rate. Participants of this program are eligible to receive discounts on their health care insurance based on their ability to pay. Moreover, DirigoChoice provides comprehensive coverage, including mental health parity (meaning mental health coverage “equivalent” to physical health coverage), 100% coverage for preventive care services, and pharmacy coverage.

How does it impact Maine people?

The DirigoChoice program has become much politicized in recent legislative sessions. Some legislative proposals would have outright ended the program or eventually ended it through small, incremental cuts to the program. If DirigoChoice is discontinued, there may be serious consequences for unemployed workers, individuals with disabilities and chronic conditions, and small business owners. This is because some people are pushing for the market reform proposals highlighted above instead of DirigoChoice.