

Weekly Checkup



Health Insurance Cancellation Notices: Coming Soon to a Mailbox Near You?

OCTOBER 22, 2013

Health insurers are beginning to adjust their plan offerings in response to the Affordable Care Act's (ACA) new coverage requirements, resulting in the [cancellation](#) of hundreds of thousands of plans in recent days – a number which could balloon to nearly 10 million by year-end. While attempting to increase popular support for the ACA, President Obama promised that beneficiaries would have the option to keep their current health care plan. However, for the estimated [19 million](#) Americans currently purchasing their coverage through the individual market, minimum coverage requirements may render this promise empty.

Health insurance policy cancellations are primarily being driven by two ACA provisions requiring new minimums for basic coverage: essential health benefits (EHB) and minimum actuarial values. Ten categories of essential health benefits are to be included in each non-grandfathered insurance plan beginning in 2014. The EHB include a broad range of services and products not necessarily covered by all plans, including outpatient prescription drugs, behavioral health services, and maternity care. The ACA then stipulates that plans are required to cover the statutory benefit categories at a specified level of average cost-sharing.

Actuarial value (AV) refers to the true value of an insurance plan, reflecting the percentage of covered costs the plan is expected to pay for an average enrollee. Under the ACA, plans are grouped into categories based upon their AV, with each category covering a greater share of the average enrollee's medical expenses. The bronze tier establishes a minimum actuarial value of 60 percent for all plans in the exchange system. This figure represents a higher value than many of the health insurance plans being offered in the individual market today. In fact, [51 percent](#) of the plans currently available on the individual market today fall below the ACA's AV threshold and thus, cannot be sold through the exchange systems for 2014. As a result, the health insurance policies of an estimated 9,690,000 individual market purchasers are in jeopardy.

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