



Health Reform in Translation

# Individual Coverage Before and After ACA

The Affordable Care Act (ACA) will bring major changes to the individual market for health insurance and will extend new protections, opportunities, and obligations to consumers. The table compares market and regulatory features affecting California’s individual purchasers before and after January 2014.

## Individual Insurance Market/California

	BEFORE ACA IMPLEMENTATION	AFTER ACA IMPLEMENTATION
<b>Number of Californians covered (approx.)</b>	2 million	3.8 million, of which 1.7 million are expected to obtain subsidized coverage through California’s health insurance marketplace, Covered California
<b>Participation opportunities</b>	<p>Coverage is available for individuals and their dependents if they can pass medical review or if they have other legal rights to coverage under existing state and federal programs, such as when leaving job-based coverage.<sup>1</sup></p> <p>Except for special programs, insurance carriers can refuse to sell to, or may charge higher premiums to people with diagnosed health conditions and/or a history of health service use. Switching from one insurance carrier to another and “buying up” to a more comprehensive set of benefits, are also typically contingent on health history.</p>	<p>Consumers may not be turned down for coverage or charged more based on their health status, claims history, or expected use of health services. However, they may only enroll during specified annual open enrollment periods or when special circumstances make them eligible for special enrollment periods, such as when they lose job-based coverage.</p> <p>Low- to modest-income consumers will be eligible for sliding scale tax credits to offset premium costs, if they obtain insurance through Covered California.</p>
<b>Purchase requirements and penalties</b>	<p>There is no obligation to obtain coverage, and no penalty for going without. However, people exiting group coverage have limited options and constrained timelines for obtaining guaranteed access to individual market coverage; if they do not maintain continuous coverage they may be unable to purchase individual coverage at a later date.</p>	<p>The ACA’s individual mandate means that most people who do not obtain qualifying coverage — for example, by enrolling in Medi-Cal, if they qualify; obtaining coverage through their employer, if offered; or buying it on their own — will face a penalty. The penalty for not having coverage begins at 1% of income (minimum \$95 annually) in 2014 and ramps up to 2.5% of income in 2016. Certain low-income individuals and others who apply based on hardship circumstances may be exempt from the coverage requirement.</p>

## Individual Insurance Market/California (cont.)

	BEFORE ACA IMPLEMENTATION	AFTER ACA IMPLEMENTATION
<b>Rates</b>	No restrictions on carrier rates except for specific rating rules that apply in special guaranteed-issue programs.	<p>Carriers may vary rates by the following:</p> <ul style="list-style-type: none"> <li>▶ Benefits and product design</li> <li>▶ Age, with premiums at age 64 no more than three times as high as those at age 21</li> <li>▶ Nineteen geographic regions defined in state law</li> <li>▶ Whether coverage is for an individual or family</li> </ul> <p>No rate variation is allowed for health status, expected use of health services, or tobacco use.</p> <p>No coverage limitations or restrictions because of pre-existing health conditions.</p>
<b>Coverage comprehensiveness</b>	Products are numerous. Benefits, consumer cost-sharing, and provider networks vary significantly between products, making apples-to-apples comparisons impossible. Many policies have an actuarial value of 55% or less.	<p>Products will be assigned to categories, or “metal tiers” (bronze, silver, gold, platinum), based on actuarial value with a floor of 60%. (A less-comprehensive “catastrophic coverage” option is available to young adults under 30 and those exempt from the coverage mandate.)</p> <p>All individual products sold or renewed must cover a core set of 10 “essential” health benefits (EHBs), except for grandfathered coverage.<sup>2</sup> Standardized benefit designs will be available inside and outside of Covered California, which will improve the ability of consumers to compare policies.</p>
<b>Insurance carriers</b>	In descending order of market share: Anthem Blue Cross, Kaiser Permanente, Blue Shield of California. Other carriers constitute less than 13% of the market.	Through Covered California: Anthem Blue Cross and Blue Shield of California throughout the state. Kaiser Permanente available throughout its service area, and Health Net available in many regions of the state. Eight additional regional plans will serve more limited geographic areas. Outside of Covered California: likely similar to 2013.

### In Context

Prior to implementation of the ACA, protections in California’s individual market were relatively weak, especially for those without previous group coverage.<sup>3</sup> California has adopted ACA reforms in its individual market that take effect in January 2014. Consumers will be able to purchase insurance regardless of health status and will find it easier to compare available insurance products. Many consumers will qualify for federal tax credits to assist them in affording coverage, but consumers who

do not have health insurance will face penalties. In sum, the ACA will bring sweeping change and major growth to California’s individual market.

### Endnotes

1. For example, under existing programs such as the Health Insurance Portability and Accountability Act (HIPAA) and the Consolidated Omnibus Reconciliation Act (COBRA), carriers must guarantee issue to eligible individuals.
2. Coverage in effect as of March 23, 2010, which continues to meet specific federal requirements limiting benefit and coverage changes, are considered “grandfathered plans” and are exempt from some of the ACA requirements that otherwise apply in the individual and small group markets.
3. [Rules Governing California’s Individual Market](#), 2005.

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