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Health law could ban low-cost plans

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Part of the health care overhaul due to kick in this September could strip more than 1 million people of their insurance coverage, violating a key goal of President Barack Obama's reforms.

Under the provision, insurance companies will no longer be able to apply broad annual caps on the amount of money they pay out on health policies. Employer groups say the ban could essentially wipe out a niche insurance market that many part-time workers and retail and restaurant employees have come to rely on.
This market's limited-benefit plans, also called mini-med plans, are priced low because they can, among other things, restrict the number of covered doctor visits or impose a maximum on insurance payouts in a year. The plans are commonly offered by retail or restaurant companies to low-wage workers who cannot afford more expensive, comprehensive coverage.

Depending on how strictly the administration implements the provision, the ban could in effect outlaw the plans or make them so restrictive that insurance companies would raise rates to the point they become unaffordable.

A cadre of employers and trade associations, including 7-Eleven, Lowe's, the National Restaurant Association, the National Retail Federation and the U.S. Chamber of Commerce, have asked the administration to allow the plans — at least through 2014, when the insurance exchanges are set up and tax credits become available for low-wage workers.

The struggle over the provision highlights the importance of the new law's implementation timetable and the way its parts interlock with one another. The legislation was front-loaded with consumer-friendly reforms, such as the ban on most annual limits, in hopes the law would become more popular. Polls show the legislation is supported by about half the public.

But many of the more comprehensive features of the overhaul, such as the insurance exchanges and tax credits that would help cover those who use limited-benefit plans, don't come into play until 2014.
That means, for nearly three years, the effect of the ban on annual limits could be costly for the low-wage, seasonal or temporary workers who most often use limited-benefit plans. The full effect won't be known until the administration releases regulations that detail how the provision will be implemented.

The ban on annual caps is designed to improve the quality of all health coverage. It will prevent patients from "maxing out" of their health coverage if they are diagnosed with catastrophic illnesses or sustain costly injuries.

If the ban is strictly implemented, "this population would likely be left with no coverage until 2014," employer groups wrote last week in a letter to Health and Human Services Secretary Kathleen Sebelius and Labor Secretary Hilda Solis. "While it surely was not the intent of Congress or the administration to increase the number of uninsured, this provision will likely produce exactly this result for some of the most vulnerable of our population, e.g., lower-wage, part-time, seasonal and temporary workers who can only obtain and afford limited-benefit medical insurance coverage."

The letter was signed by nearly three dozen organizations, including many trade groups that did not support the Democrats' legislation. Industry groups estimate that about 1.4 million people use these plans.

HHS spokeswoman Jessica Santillo said that the department was considering input from “all stakeholders” as it develops the rules surrounding the ban on annual caps and that everyone will see improvements in quality from provisions of the overhaul implemented this year.

“Under the Affordable Care Act, millions of small businesses and their employees will see a significant decrease in the cost of health insurance and will have access to higher-quality-coverage options. In the short term, employers will benefit from administrative simplification and greater insurer accountability on their overhead and rate increases,” Santillo said. “And starting this year, an estimated 4 million small businesses who offer health coverage for employees will see immediate relief through a small-business tax credit.”

Once the exchanges open and the tax credits become available in 2014, many of the low- and middle-income people who use limited-benefit plans are likely to qualify for the credits. But that’s after three years of limbo.

Employers admit the plans aren’t comprehensive but say they offer them because their employees can afford them.

“It’s not top-notch coverage by any stretch, but it is better than no coverage,” said Neil Trautwein, a health care lobbyist at the National Retail Federation. “There’s slight irony, given the president’s repeated assertion that if you enjoy your coverage you can keep it, that this would take the coverage away from part-time employees until 2014.”

Rules to implement the provision could be written to allow the limited-benefit plans until just 2014 or, with some flexibility, longer.

“If the limits are too restrictive, these products are not going to be able to be in the marketplace because that’s what makes them affordable,” said Jessica Waltman, senior vice president of government affairs at the National Association of Health Underwriters, which represents insurance agents and brokers.