

The Affect of Health Care Reform on Ternian's Limited Accident & Sickness Policies

APRIL 5, 2010 – PHOENIX AZ: The passage of the “Protection and Affordable Care Act” and the “Reconciliation Act” will bring some significant changes to the Limited-Benefit Medical Plan (LBMP) marketplace. While some changes will take effect in September of this year, other changes will occur in 2014 when the mandated coverage levels and mandated insurance requirements go into effect. Ternian believes that we are well positioned to continue to operate competitively and successfully in the initial reform years and beyond.

The approved Bill provides some guidelines that allow us to make immediate determinations to comply with the Act. However, much of the regulation will need to be written and further defined in the coming years. Once the regulations are issued, we will assess the scope, applicability and impact of any required future changes to our programs. In the meantime, Ternian has worked with our carriers to formulate our position in the LBMP marketplace as it stands today.

Ternian's Limited Accident & Sickness Policies are not adversely affected by reform in the short-term.

Why? Due to the accident and indemnity based policy filing structure of our limited accident & sickness plans, the policies have neither been defined as, nor been subject to, the mandated requirements of a “group health plan”, “health benefits plan”, “comprehensive medical plan”, “major medical plan”, or been considered “creditable coverage” in the past. These definitions have been adopted by all states through the NAIC uniform model, but have also been addressed in ERISA, COBRA, and HIPAA, which specifically excludes: accident only, fixed or hospital indemnity insurance policies, specified disease and others. There is no indication that these adopted definitions will change in the future. It is our position that Ternian's HealthSelect, CriticalMed, DeductibleAssist, and HealthAssure plans are excluded from the Act as primarily indemnity and accident based policies, and that they will continue to be marketed and sold. Ternian remains committed to providing affordable and value-based insurance options in the voluntary and LBMP marketplace.

Why may other providers decide to stop selling LBMP products in 2010? Some of the carriers in the LBMP marketplace chose to file their policies in such a way that they may meet the definition of a group health plan/health benefits plan. As such, their policies may be subject to many of the immediate changes that take effect in September of this year and beyond. Rather than re-file their policies under the accident and indemnity structure (which could take years) carriers that are in the true major medical business may focus their attention and resources on capturing a piece of the 32 million identified uninsured individuals who will be required to purchase mandated insurance plans in 2014. Under the current Act, LBMPs will not meet the mandated requirements of a “Qualified Health Benefit Plan” in 2014.

Ternian's product offerings will provide a viable option beyond 2014.

Why? We believe that supplemental medical products like DeductibleAssist and CriticalMed will play a big role in filling the gaps created by Qualified Health Benefit Plans in the future. Also, Ternian's non-medical voluntary products like dental, vision, life, std, and renters insurance will continue to be an important employee benefit offering and strategy for employers. While HealthSelect will not meet the minimum requirements of a Qualified Health Benefit Plan in 2014, it may still provide a viable coverage alternative for individuals looking for more affordable coverage who are willing to sustain the nominal tax penalties. Ternian will continue to develop innovative products which will meet the new and unique needs of individuals for years to come.