



Health Care Reform **Bulletin**

New Options for Individuals Whose Policies Have Been Cancelled

Provided by VistaNational Insurance Group, Inc.

Quick Facts

On Dec. 19, 2013, HHS announced two new options for consumers whose health insurance policies have been cancelled.

Individuals that have been notified that their individual market policy will not be renewed:

- Are eligible for a hardship exemption; and
- May enroll in catastrophic coverage.

Under these two new options, individuals whose policies have been canceled will be eligible for a hardship exemption and will be able to enroll in catastrophic coverage.

Late in 2013, millions of Americans received notices informing them that their health insurance plans were being cancelled because they do not comply with the reforms of the Affordable Care Act (ACA) that will take effect in 2014. These reforms include a prohibition on annual limits and requirements that individual and small group policies cover a comprehensive set of benefits.

On Nov. 14, 2013, President Obama announced a transition policy that would enable insurers to renew existing plans and policies that do not comply with the ACA. However, many states are choosing not to adopt the transition policy, and many individuals were finding other coverage options to be more expensive than their cancelled plans or policies.

In response to this issue, on Dec. 19, 2013, the Department of Health and Human Services (HHS) [announced two new options](#) for individuals whose policies have been cancelled. Individuals that have been notified that their individual market policy will not be renewed:

- Will be eligible for a hardship exemption from the individual mandate; and

- May enroll in catastrophic coverage, if it is available in the individual's area.

HHS stated that it is making these new options available in an effort to ensure that consumers have access to affordable health insurance coverage.

Hardship Exemption

Under these new options for consumers, individuals who have been notified that their individual market policy will not be renewed will be eligible for a hardship exemption and will be able to enroll in catastrophic coverage.

The hardship exemption is intended for individuals who have suffered a hardship with respect to the capability to obtain coverage under a qualified health plan. A hardship exemption is available for a month or months in which:

- An applicant experienced financial or domestic circumstances, including an unexpected natural or human-caused event, that caused a significant, unexpected increase in essential expenses;
- The expense of purchasing minimum essential coverage would have caused the applicant to experience serious deprivation



of food, shelter, clothing or other necessities; or

- The applicant has experienced other factors similar to those described above that prevented him or her from obtaining minimum essential coverage.

HHS has enumerated several situations that will always be treated as constituting a hardship. HHS has also implemented additional hardship exemptions to address specific situations, including for individuals who enroll in coverage through an Exchange during the initial open enrollment period.

Catastrophic Coverage Options

An individual whose health plan has been cancelled will be eligible for catastrophic coverage if:

- The plan options available in the Exchange in the individual's area are more expensive than his or her cancelled health insurance policy; and
- Catastrophic coverage is available in the individual's area.

In order to purchase this catastrophic coverage, individuals will need to complete a [hardship exemption form](#) and indicate that:

- The individual's current health insurance policy is being cancelled; and
- The individual considers other available policies to be unaffordable.

The individual will then need to submit the following items to an issuer offering catastrophic coverage in his or her area:

- The hardship exemption form; and
- Supporting documentation indicating that his or her previous policy was cancelled.

For example, an individual can submit a cancellation letter or some other proof of cancellation. If he or she is applying for catastrophic coverage from the same issuer

that cancelled his or her previous policy, the issuer may be able to confirm the cancellation based on its internal records. The individual may then purchase catastrophic coverage from that issuer.

The issuer will send these items to HHS' Centers for Medicare & Medicaid Services (CMS), and CMS will verify that the individual was eligible for this hardship exemption. If an individual is not able to submit supporting documentation at the time he or she submits the exemption form, CMS will contact the individual to inform him or her that the application is incomplete and cannot be processed until supporting documentation of the previous policy's cancellation is submitted.

Individuals who need assistance in order to pursue these options may call the call center at: 1-866-837-0677.

Other Available Options

HHS notes that a number of options are already available to consumers whose individual market health insurance policies have been cancelled. For example:

- Individuals can purchase any of their health insurance issuer's individual market policies available to them in 2014.
- Individuals may shop for coverage through an Exchange. Depending on the individual's income and other factors, he or she may be eligible to receive a premium tax credit or cost-sharing reductions for Exchange coverage. Individuals may also be eligible for Medicaid.
- Individuals can also shop for policies outside the Exchange.

More Information

Please contact VistaNational Insurance Group, Inc. for more information on coverage options.

