

Navigating the New World of Health Insurance

December 2013

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The Affordable Care Act (ACA) has been one of the most controversial pieces of legislation in recent memory. There is abundant news coverage which often focuses on the political facets. But with many provisions going into effect in 2014, do you understand the law's implications for you and your family? In this article we address 3 of the common questions now being asked about health insurance.

What's New about Health Insurance?

If you're over the age of 65 and covered by Medicare or otherwise have coverage through an employer, the initial impact of the ACA to you may be minimal. But if you're soon to be in the market for new or more comprehensive coverage, there are some important things to know. Beginning in 2014, the following changes go into effect:

- No individual can be denied coverage due to a pre-existing condition, and you cannot obtain coverage that excludes a specific medical condition.
- Coverage will be guaranteed to be available and renewable. Medical underwriting will be eliminated which means the end of premium differences based on your health status.
- There will no longer be an annual maximum limit on essential health benefits. In fact, lifetime maximum limits will be eliminated as well.
- The majority of Americans must have health insurance coverage or pay a fee. A new tax will go into effect that is meant to provide incentive for all to carry at least a minimal level of insurance.

Even if you have group coverage through an employer, you might eventually be impacted by the ACA. Over time health insurance is likely to become less coupled with employment. In the past, some employed individuals have contemplated early retirement or starting a new business. But they may have been discouraged from doing so because they would not qualify for adequate insurance plans as individuals. This will no longer be the case. That said, out of pocket costs for individual plans are usually more expensive than group coverage as employers often subsidize premium payments.

How Do You Purchase New Health Insurance?

Open enrollment for individuals began on October 1st and it will end on March 31st, 2014. If you are able to sign up before December 23rd, your new coverage can go into effect as early as January 1st, 2014. If you sign up before January 15th, your coverage would go into effect February 1st. If you're considering new coverage for you or a family member in 2014, it is important to take action before March 31st.

As a result of the ACA, each state has its own marketplace for health insurance that is accessed through a newly created exchange. Regardless of your home state, you can access your exchange through the website healthcare.gov. Here you can apply for coverage, compare plans and enroll. If you live in a state that has created its own exchange, you'll be directed to a new website. If you're not comfortable doing this online and you would rather speak to a person with questions about open enrollment, call 1-800-318-2596 (TTY: 1-855-889-4325).



In many cases, you can now choose among a selection of plans for health insurance. Navigating these choices can be complex, and you might seek the help of an advisor. The goal is to find coverage that meets your needs and fits your budget. Before getting started with your application, you'll just need to make sure you have a few items on hand. For example, commonly needed items include past tax returns, pay stub information, details about your current health insurance, and your employer-based coverage eligibility.

How Much Will Your Health Insurance Cost?

We mentioned earlier that premiums will no longer be based on health status. So what are the factors affecting premiums? It turns out there will only be 4 factors: age, tobacco use, family size and the geographic area where you live.

Given that a larger number of folks will soon be covered by health insurance, it remains to be seen how this will affect premium levels. Part of the law requires insurance companies to adhere to a fixed premium ratio between the highest cost and lowest cost groups. Because age presumably will be a key determinant, this can shift higher costs to younger folks. Perhaps there's some relief if you're under the age of 26, where you may be able to stay on your parents' health insurance plan.

That said, recent research suggests that up to two-thirds of US households will be eligible for subsidies. For qualifying households, premiums will be capped at a certain level of household income. Any credits you receive will be immediately applied to your insurance premiums. In other words, you wouldn't have to wait until filing your tax return before reaping the benefit. However, this does become a tax planning matter because if your income goes back up above that level, you would be subject to paying back taxes. Such a situation could easily apply to folks in between jobs or starting new businesses. Just note that subsidies are only available if you do not qualify for employer coverage.

If you would like to get a quick estimate of costs, there is a section of the website where you can see plans before you apply. It is a good source for estimating your out-of-pocket costs based on where you live and the coverage you choose.

To conclude, we have covered some of the common questions about the ACA. But this certainly doesn't reflect the complete scope of the law's impact. In fact, higher income folks now have to navigate additional taxes, such as the Medicare surtax, which are used to fund the act's mandates. Small businesses, depending on the number of employees, will have to make decisions on whether to keep policies in place for their employees or pay a penalty¹. Time will tell how the ACA affects our country both economically and socially. With the key provisions of the ACA becoming effective, it does present a good opportunity to revisit your personal risk management plan.

1. This mandate has been delayed until 2015.

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