



## “Grandfathering” of Health Plans & the Affordable Care Act

The U.S. Department of Health and Human Services has issued a rule that helps keep two key promises of the new health law, the Affordable Care Act (ACA).



On one hand, if you are happy with your coverage, you can keep it. This is because plans already in place when the new law passed (March 2010) will be “grandfathered,” meaning they won’t have to comply with a number of the new ACA requirements.

On the other hand, if you need to or decide to get new coverage, it will be better coverage with additional protections, thanks to the ACA.

\*\*\*\*\*

### What does it mean for my health plan to be “grandfathered”?

“Grandfathered” plans are exempt from many ACA requirements. Plans remain grandfathered as long as they don’t change “too much.” If your current plan **is not** grandfathered, or if you get a new plan, that plan must provide the new ACA consumer protections.

\*\*\*\*\*

### Why are these rules about grandfathering needed?

If a grandfathered plan changes too much, it is considered a “different plan,” and will no longer be exempt from the new requirements. This new rule explains how much your plan can change without losing its grandfathered status.

\*\*\*\*\*

### Which plans are grandfathered and which aren’t? (How much change is too much?)

The comparison date is March 23, 2010. To determine whether a plan is grandfathered, it must be compared with the plan that was in effect on that date.

Plans can make **routine changes** to their policies and remain grandfathered. These types of changes include: cost increases to keep up with inflation, adding benefits, adjusting benefits, adding new consumer protections, etc.

On the other hand, plans will lose their grandfathered status if they make *any* notable changes that reduce benefits or increase costs to consumers. These changes include:

- Any significant new or tighter caps on benefits
- Any significant drop in benefits covered
- Any significant increase in out-of-pocket costs such as co-pays or deductibles (and any increase at all in coinsurance)
- Any significant drop in the percentage of health insurance costs paid by your employer
- Requiring someone to switch from one grandfathered plan to another grandfathered plan with less benefits or higher costs

**NOTE:** Higher premiums (unlike higher out-of-pocket expenses) **will not** cause a plan to lose its grandfathered status.

\*\*\*\*\*

### **How do I know if my plan is grandfathered?**

Insurance companies will need to state on all their materials whether or not they claim the plan is grandfathered, what that means in terms of the new law, and whom to contact with questions or complaints.

\*\*\*\*\*

### **If my current plan is grandfathered, is it important to hold onto that coverage at all costs?**

In general, it's just the opposite. Although we hear a lot about people worried that they won't be able to keep their current coverage, the new requirements will actually make coverage **better and stronger** for consumers. For the most part, insurance companies will be the ones who want their plans to stay grandfathered, not consumers.

**IMPORTANT:** You may not want to give up your current coverage right now. Many of the most important new protections—such as no waiting to cover pre-existing conditions—don't kick in until 2014. So, if you change to a new plan now, your pre-existing condition might not be covered.

\*\*\*\*\*

### **If my plan isn't grandfathered, when will I start to benefit from these new protections?**

The new rule will go into effect on September 23, 2010. The new protections will apply to non-grandfathered coverage that is new or renewed after that date.

**NOTE:** Many of the most important protections won't kick in until 2014.

\*\*\*\*\*

**If my plan isn't grandfather, or it loses its grandfathered status, what new benefits will I get right away?**

- Access to some prevention services designed to keep you healthy with no out-of-pocket costs.
- Patient protections such as guaranteed access to OB-GYNs and pediatricians.

Again, many important protections won't kick in until later.

**IMPORTANT:** New protections in the Affordable Care Act that **most** plans must comply with—**grandfathered or not**—include:

- No lifetime limits on plan benefits
- No annual limit on certain “essential” plan benefits
- No cancellation of coverage when you get sick for making a mistake on your application
- Allowing young adults under age 26 to stay on their parents' coverage
- No exclusion of coverage for pre-existing conditions for children (effective 1/1/2011 for adults)