

Caution: New “State-Based Health Plans” Fail to Meet Consumer Protections and Benefit Standards



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Following a recent executive order from Idaho’s governor, the state has told health insurance companies they can sell “state-based health plans” that don’t meet all existing consumer protections and benefit standards. Idahoans who buy one of these plans may not receive a comprehensive health care package and could pay more for medical services they need. All of the new plans filed to date impose annual dollar limits on how much the insurer will pay out for benefits, and most of the plans significantly raise deductibles and other out-of-pocket expenses for Idaho families—likely leaving them with higher costs for medical care and prescriptions.

Under the executive order insurance companies in Idaho can charge far higher premiums based on age, gender, location in the state and pre-existing conditions. In fact, Idahoans with pre-existing conditions who are older could face premiums 15 times the premiums that their younger, healthier neighbors would pay. Older Idahoans could be charged 5 times the rates of younger Idahoans, far more than is currently allowed.

It’s important to remember that good health coverage protects individuals and families from unexpected health issues and medical emergencies. If you decide to enroll in one of these new plans, but then have an unexpected illness or accident, you could be left to foot a very expensive medical bill to receive the care you need, or worse, go without sometimes life-saving medical care. The plans are not required to cover all the same benefits as traditional plans in Idaho’s individual market – for example only one of the proposed plans includes maternity coverage.

Consumers should exercise extreme caution when considering one of these new state-based health insurance plans because of the risk of unanticipated costs and uncovered services. The following guidelines can help you make wise decisions about health coverage for you and your family:

- **Look beyond the premium price tag to assess the full costs and benefits.**

The new state-based plans will generally have fewer consumer protections and lower levels of coverage, compared to the plans currently sold in the health insurance exchange. People with incomes between the federal poverty level and four times the poverty level (which is about \$24,600 to \$98,400 for a family of four) are likely to get far better and more affordable coverage from an exchange plan that comes with a tax credit. The new state-based plans may require that patients pay more out-of-pocket and also allow insurers to exclude coverage of preexisting conditions for anyone who can’t show they have been continuously insured. It’s important for consumers to read the fine print, especially before dropping any other coverage.

- **Assume care for pre-existing conditions will not be covered.**

One of the main ways insurers are cutting costs for these plans is by denying coverage for pre-existing conditions for the first 12 months for many enrollees. People who have had gaps in health coverage will likely pay the full cost of hospitalizations, emergency room visits, and other medical care that could be attributed to a pre-existing condition.

- **Consider your health status.**

Insurers can deny coverage for services related to pre-existing conditions even if you have not been treated for that condition previously, and the state-based plans filed with the state require applicants to answer extensive questions about their health. Idahoans with conditions such as asthma, diabetes, cancer or mental illness should also know that insurers can charge them higher premiums under state-based plans. Anyone who is currently healthy but ends up facing an unexpected illness could be exposed to greater financial risk under the new state-based plans.

• Know what services are covered.

These plans are not required to provide all of the essential health benefits, as traditional plans in Idaho's individual market must do. For example, guidance from the state of Idaho allows these plans to leave out maternity care coverage, habilitative services, pediatric vision and dental services, and possibly even cancer screenings.

Background on current consumer protections and benefits standards under the law

In 2012 new consumer protections and benefit standards were put in place to ensure people seeking health insurance in Idaho's individual insurance market would receive comprehensive coverage. Those required benefits include:

- Ambulatory patient services (outpatient services)
- Emergency services
- Hospitalization
- Maternity and newborn care
- Mental health and substance use disorder services, including behavioral health treatment
- Prescription drugs
- Rehabilitative and habilitative services and devices (those that help patients acquire, maintain or improve skills necessary for daily functioning)
- Laboratory services
- Preventive and wellness services and chronic disease management
- Pediatric services, including oral and vision care.

At the same time, the law was changed to guarantee equal access to coverage for people with pre-existing conditions like, cancer, asthma, and diabetes. More than 660,000 Idahoans have preexisting conditions. Changes to the law also included a prohibition against annual and lifetime dollar limits on benefits, meaning people in plans that comply with the law will not see their coverage stop when catastrophic health needs arise.

About 90,000 Idahoans are enrolled in a comprehensive plan on the Your Health Idaho insurance exchange, and 86% receive a tax credit to help them purchase affordable coverage. Idaho's state exchange has the second highest level of enrollment, per capita, in the country and has been a huge success.

Legal Considerations and Risks to Consumers

The sale of state-based health plans in Idaho is highly controversial and possibly illegal. Idaho is the only state in the country where these types of plans will become available. Legal action against the state and insurance companies that sell these plans is highly likely and it is possible that the U.S. Department of Health and Human Services will intervene to prevent the sale of these plans in Idaho. Consumers could be making a gamble with their health and financial security by enrolling in the new state-based plans.

