Thousands get health insurance cancellation notices

Anna Gorman and Julie Appleby Kaiser Health News (highlight added)

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Health plans are sending hundreds of thousands of cancellation letters to people who buy their own coverage, frustrating some consumers who want to keep what they have and forcing others to buy more costly policies.

The main reason insurers offer is that the policies fall short of what the Affordable Care Act requires starting Jan. 1. Most are ending policies sold after the law passed in March 2010. At least a few are canceling plans sold to people with pre-existing medical conditions.

By all accounts, the new policies will offer consumers better coverage, in some cases, for comparable cost -- especially after the inclusion of federal subsidies for those who qualify. The law requires policies sold in the individual market to cover 10 “essential” benefits, such as prescription drugs, mental health treatment and maternity care. In addition, insurers cannot reject people with medical problems or charge them higher prices. The policies must also cap consumers’ annual expenses at levels lower than many plans sold before the new rules.

But the cancellation notices, which began arriving in August, have shocked many consumers in light of President Barack Obama’s promise that people could keep their plans if they liked them.

“I don’t feel like I need to change, but I have to,” said Jeff Learned, a television editor in Los Angeles, who must find a new plan for his teenage daughter, who has a health condition that has required multiple surgeries.

An estimated 14 million people purchase their own coverage because they don’t get it through their jobs. Calls to insurers in several states showed that many have sent notices.

Florida Blue, for example, is terminating about 300,000 policies, about 80 percent of its individual policies in the state. Kaiser Permanente in California has sent notices to 160,000 people – about half of its individual business in the state. Insurer Highmark in Pittsburgh is dropping about 20 percent of its individual market customers, while Independence Blue Cross, the major insurer in Philadelphia, is dropping about 45 percent.

Some policies targeted

Both Independence and Highmark are canceling so-called "guaranteed issue" policies, which had been sold to customers who had pre-existing medical conditions when they signed up.

Policyholders with regular policies because they did not have health problems will be given an option to extend their coverage through next year.

Consumer advocates say such cancellations raise concerns that companies may be targeting their most costly enrollees.

They may be "doing this as an opportunity to push their populations into the exchange and purge their systems" of policyholders they no longer want, said Jerry Flanagan, an attorney with the advocacy group Consumer Watchdog in California.

Insurers deny that, saying they are encouraging existing customers to re-enroll in their new plans.

"We continue to cover people with all types of health conditions," said Highmark spokeswoman Kristin Ash.

She said some policyholders who may have faced limited coverage for their medical conditions will get new plans with "richer benefits" and the policies "in most cases, will be at a lower rate."

Paula Sunshine, vice president of marketing with Independence, said the insurer hopes the canceled policyholders will "choose Blue when they decide on a new plan."

Higher costs

Some receiving cancellations say it looks like their costs will go up, despite studies projecting that about half of all enrollees will get income-based subsidies.

Kris Malean, 56, lives outside Seattle, and has a health policy that costs $390 a month with a $2,500 deductible and a $10,000 in potential out-of-pocket costs for such things as doctor visits, drug costs or hospital care.

As a replacement, Regence BlueShield is offering her a plan for $79 more a month with a deductible twice as large as what she pays now, but which limits her potential out-of-pocket costs to $6,250 a year, including the deductible.

"My impression was …there would be a lot more choice, driving some of the rates down," said Malean, who does not believe she is eligible for a subsidy.

Regence spokeswoman Rachelle Cunningham said the new plans offer consumers broader benefits, which “in many cases translate into higher costs.”

“The arithmetic is inescapable,” said Patrick Johnston, chief executive officer of the California Association of Health Plans. Costs must be spread, so while some consumers will see their premiums drop, others will pay more -- “no matter what people in Washington say.”

Health insurance experts say new prices will vary and much depends on where a person lives, their age and the type of policy they decide to buy. Some, including young people and those with skimpy or high-deductible plans, may see an increase. Others, including those with health problems or who buy coverage with higher deductibles than they have now, may see lower premiums.

Blue Shield of California sent roughly 119,000 cancellation notices out in mid-September, about 60 percent of its individual business. About two-thirds of those policyholders will see rate increases in their new policies, said spokesman Steve Shivinsky.

Like other insurers, the Blue Shield letters let customers know they have to make a decision by Dec. 31 or they will automatically be enrolled in a recommended plan.

“There is going to be a certain amount of churn in the marketplace as people have to make their decisions,” Shivinsky said.

Jay Hancock contributed to this story. Kaiser Health News is an editorially independent program of the Henry J. Kaiser Family Foundation, a nonprofit, nonpartisan health policy research and communication organization not affiliated with Kaiser Permanente.

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