

What the Affordable Care Act, 'Obamacare' Means for Arizona Residents

Written by David Dorn and Kristin Dorn

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The frustration is mounting with health insurance. The website is a mess. The premiums are higher than many expected. And there's a lot of misinformation out there, which is not making it any easier. Here are the highlights of what Arizonans need to know about health insurance changes.



The Law

On March 23, 2010 the Patient Protection and Affordable Care Act (a.k.a "ObamaCare") was signed into law by President Obama. Insurance plans issued prior to that date are grandfathered, as long as they have not made any substantial changes. Those are the plans that the President referred to as "you can keep your plan if you like it". Plans written since then will be phasing into the new Affordable Care Act upon their renewal.

Under the Act, starting on January 1, 2014 just about everyone in the United States will be required to have health insurance or face a penalty. There are exemptions from the law, such as certain religious groups, the incarcerated, Indian Tribe members, those not legally in the United States, and others.

The law also established Exchanges (now called the Federally Facilitated Marketplace or FFM) as a means to shop for health insurance and receive a tax subsidy. Be aware that the online Exchange is where the current website problems are taking place. Some states decided to establish a State-based Exchange, but in Arizona we are part of the Federal Exchange.

The only reason to go on the Exchange is to get a tax subsidy. People who will qualify for a subsidy are generally those whose household income is under 400% of the federal poverty level and if your health insurance premium is deemed "unaffordable" by the government. Those under 138% of the federal poverty level will generally qualify for Medicaid (AHCCCS in Arizona). A good rule of thumb is the less income you make, the bigger the subsidy.

Essential Health Benefits

The law requires that every non-grandfathered plan must contain ten "essential benefits", one of which is maternity coverage. This is a drastic shift from the current state of individual plans in Arizona. Right now no major insurance company in Arizona offers women individual health insurance that covers maternity. Starting in January, every single new plan, whether it be for a woman, child or even a man, will contain maternity coverage.

Some of the other "essential health benefits" that will now be included are expanded mental health services, pediatric dental and vision, and medically-necessary pediatric orthodontia.

Medical Underwriting

No longer will you need to answer any medical questions when you apply for health insurance. Everybody qualifies for the new plans, regardless of any medical conditions. The rates are only based on your age, tobacco use, and location. As a result, rates are rising for everyone, since the insurance companies can no longer discriminate against those who have pre-existing health conditions. These extra claims costs have to be distributed across the board.

Female/Male Distinction

The law contains other important changes for health insurance. One that many are not familiar with is that starting in January there will no longer be a distinction between males and females when it comes to health insurance premiums. Currently, a female of childbearing age pays approximately 40% more than a male of the same age for equal coverage. As of January, there will be unisex rates.

As a general rule, health insurance premiums are going up for everyone. However, the percentage increases for young males are going up significantly more than females. In essence, young males will be subsidizing coverage for females due to maternity costs.

Enrollment Period

There will be an open enrollment period every year, both in the private market and through the FFM. This year it started on October 1, 2013 and continues through March 31, 2014. In future years it will be October 15 – December 7 for an effective date of January 1.

The exception to the open enrollment period is through a qualifying event. Qualifying events include things like marriage, birth, or losing your existing coverage.

Business Owners

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Business owners will be facing quite a few challenges with the new health insurance laws. One of the first questions they are going to ask is should I offer a group health insurance plan for my employees, and if I have an existing plan should I keep it? Decisions will be made based on many factors, such as if the business has a grandfathered or non-grandfathered plan.

Only larger businesses (50+ full time equivalent employees) will be required to offer health insurance to their employees or face a penalty. That mandate was originally scheduled to go into effect in 2014, but it has been delayed at this point at least a year.

For businesses with less than 50 full time equivalent employees, it is not required and has never been required for the business owner to offer health insurance. However, it may make sense to keep a group plan for several reasons such as to attract and retain quality employees and to be competitive with other employers. But for certain businesses, particularly those who will have many employees who qualify for subsidies, it may make more sense to stop offering a group plan and let their employees get insurance on their own. This decision should be discussed and considered carefully with your insurance advisor.

Planning for 2014 and Beyond

So what should you do? There are several options

1. Keep what you have. There may be reasons to keep the health insurance coverage that you currently have for as long as possible. For example, if a person or company has a grandfathered plan, in many cases it may make sense to stay where you are after analyzing rates, benefits, and options with your advisor.

2. Buy insurance through the Federally Facilitated Marketplace (FFM). Remember, the only reason to go through the Federal Exchange is to get a tax subsidy. That is because the Exchange is the only place that subsidy is available. If you don't qualify for a tax subsidy, don't waste your time with the government website and the current enrollment difficulties.

3. Buy insurance privately. If you don't qualify for a large tax subsidy, you will probably opt to buy insurance privately. There will likely be more choices and better plans available in the private market than there are on the FFM. Many are under the impression that insurance next year MUST be bought through the government Marketplace—this is not true. There will still be a viable and vibrant private market for health insurance, and the private plans will offer the same "essential health benefits" as those through the Marketplace. In addition, some are concerned about the government maintaining privacy of their sensitive medical and financial information they will be required to provide to Marketplace and government officials.

While the Affordable Care Act is evolving on a daily basis and there are still political and legal challenges to the law, it's not likely to go away in the next couple of years.

The important thing is to review your health insurance needs. It is vital to evaluate your particular situation with an insurance advisor to make sure you understand what your options are for health insurance, now and in the future.



David A. Dorn, CLU, ChFC and his daughter Kristin Dorn offer health, life and disability insurance solutions through Dorn Agency, Inc. They have over 45 years combined experience. Please visit www.dornagency.com for more information on our services and how to schedule a complimentary review of your insurance needs.