



May 5, 2010

Health Care Reform Update [All Markets]

[New Applications for Individual Policies Delayed](#)

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Please note that this applies only to major medical policies. Temporary product effective dates may be requested prior to May 15 for temporary policies.

[Letters Sent to Members Concerning 'Dependent Age to 26' Early Implementation](#)

As part of HCSC's voluntary decision to accelerate implementation of the extension of dependent coverage to age 26 effective May 1, 2010, for premium business (with the exception of collectively bargained premium groups who may opt out), we have identified members who aged out of their parent's policy April 21-30. Rather than remove them from the policy, we will retain them as covered dependents. No action is needed by the group or the subscriber/member. We will be sending letters to affected members ([Individual Markets](#) and [Group Markets](#)) informing them that their coverage is automatically extended.

Illinois Clarification: Please note that all Illinois insured business is already subject to the dependent coverage mandate that gives parents the right to continue coverage for qualifying dependents up to age 26, and to cover military veteran dependents residing in the state up to age 30. However, the Illinois state mandate excluded married dependents. PPACA removes any marital, student or employment requirements. Effective May 1, young adults currently covered under their parent's health plan will be able to stay on their parent's health plans until the age of 26, regardless of student status, marital status, or employment.

[Recent/Anticipated HHS Guidance about Grandfathering, Pre-existing Condition Exclusions](#)

You may be aware that the Department of Health and Human Services (HHS) is beginning to issue guidance on a number of provisions of the Patient Protection and Affordable Care Act (PPACA). Topics that either have been or are expected soon to be released include pre-existing condition exclusions and grandfathering. We are currently conducting a thorough review of the new regulations outlined by HHS, and are fully committed to implementing these new reforms in ways that best meet the needs of our policyholders.

As you know, we've already adopted some reform provisions early, including covering adult dependents under the age of 26 (optional for self-funded groups) and implementing a third-party review process for rescissions that aims to exceed the basic requirements of the law. We have been a long-time supporter of eliminating pre-existing conditions as long as an effective mandate ensures that everyone participates in the insurance pool.

Once we have analyzed the full impact of these newly issued regulations on all our members, we will determine next steps. As always, we will share additional information as it becomes available.

[BCBSIL Responds to Capitol Hill Request to Change Rescission Practices](#)

Responding to a request from Capitol Hill that insurers end the practice of rescinding member coverage

except in cases of fraud or material misrepresentation, Blue Cross and Blue Shield of Illinois (BCBSIL) outlined the company's standard practice already in place that individual policies are rescinded only in the case of fraud or material misrepresentation.

The request from Congress was made in a letter signed by several House Committee Chairs and released publicly. In their request, the Chairs also asked that insurance companies institute an independent third-party review whenever a policy is to be rescinded or canceled. BCBSIL is actively working to implement a third-party review process as soon as possible.

To help you answer customer questions, we have created the following FAQs. Please contact your BCBSIL account representative if you have additional questions.

Q: What is rescission?

A: Rescission helps prevent health insurance fraud and protect those who are legitimately covered by an insurer. It gives health insurers the right to revoke coverage for individuals who have fraudulently or intentionally misrepresented information pertinent to the terms of their policy. When we offer coverage, we do so based on our understanding of the individual's situation – if that has been intentionally misstated, we have the right to rescind the policy. An analogy might be, if someone signs a contract to buy a house, but the inspection shows the house has problems that hadn't been disclosed, then the contract is null and void.

Q: How frequent are rescissions?

A: They are rare – a recent National Association of Insurance Commissioners study shows they occur in approximately one-tenth of one percent of individual market policies each year.

Q: What are the PPACA requirements around rescissions, and how is the federal government implementing them?

A: Effective Sept. 23, 2010, the Patient Protection and Affordable Care Act of 2010 (PPACA) prohibits health plans from rescinding coverage of an enrollee, except in instances where the individual has acted fraudulently or intentionally misrepresented a material fact. Prior notice must be provided in the event of such a cancellation. However, leaders in the House of Representatives have requested an earlier implementation, and also requested an independent third-party review of such cancellations, which is not required under PPACA.

Q: What impact does this PPACA provision and the House request have on BCBSIL operations?

A: BCBSIL's current policy is to rescind coverage only in cases of fraud or intentional material misrepresentation – we are operating according to that provision. While not a mandate, we are currently working toward a date when we will provide third-party review of such cancellations.

Q: What is the timeframe for notice to the member?

A: Health and Human Services (HHS) has not yet defined that. We will comply with the timing requirements once they are finalized.

Q: What is the timeframe and scope for the external review?

A: We will implement a third-party external review process as soon as possible. Since third-party external reviews are not required under PPACA, there is not a specific date that such reviews must begin.

Q: If a member has previously had his/her coverage rescinded, does the PPACA provision allow them to have that rescission overturned?

A: Because BCBSIL's policy has been to rescind coverage only in cases of fraud or intentional material misrepresentation, there would be no change in that rescission.



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