THE PHANTOM PREMIUM PROBLEM

Brendan Riley
NC Community Health Center Association

NC Get Covered
February 6, 2015

THE PHANTOM PREMIUM PROBLEM

What is it?

Unforeseen circumstances arising out of a combination of the 2014-2015 Marketplace auto-renewal process and the 90 day grace period for enrollees with tax credits could result in consumers losing coverage after Open Enrollment is over.

REVIEW: 2014-2015 MARKETPLACE RENEWALS

Temporary process for renewing 2014 coverage

- Principle: Continuity of coverage

Vast majority of consumers were automatically re-enrolled into the same plan as 2014 if they took no action by December 15, 2014.

- Consumers who had tax credits in 2014 would be auto-enrolled with same dollar amount as 2014
  - Does not take into account factors that would change size of premium tax credit for 2015
    - Inflation of health insurance premiums in Marketplace service area (counties)
    - Any change in benchmark plan (second lowest-cost silver plan)—esp. important in 77 counties where United entered
    - Change in age, household size, and/or income for consumers

REVIEW: 2014-2015 MARKETPLACE RENEWALS

Consumers who did not revisit Marketplace to update their premium tax credit amount for 2015 had coverage auto-renewed without "out-of-date" premium and premium tax credit

- These consumers receive bills for monthly premiums that often look very different from what they are used to paying
- They can revisit the Marketplace, update their PTC amount, and decide whether to enroll in a new plan or not by February 15.

REVIEW: 90 DAY GRACE PERIOD

If consumer:

- Enrolls in a qualified health plan with premium tax credits, and
- Pays first premium to effectuate coverage

Then:

- Consumer will be eligible for 3 month grace period if they miss a subsequent premium payment

REVIEW: 90 DAY GRACE PERIOD

- For first 30 days of grace period, insurance company must pay claims
- For subsequent 60 days of grace period, insurance company may hold claims pending premium payment
- Only after 90 days can insurance company terminate coverage due to nonpayment
  - Coverage terminated to end of the first month of the grace period

REVIEW: 90 DAY GRACE PERIOD

If consumer makes payments toward premiums, they are applied toward the amount past-due. The consumer must catch up all on premiums owed to avoid termination.

Example: Jessica started coverage January 1 and paid her $45 premium. She misses her June payment and enters into a grace period. In July she pays $45, which is applied to her June balance. She still owes another $45 for July, and will need to pay that amount in addition to her August premium to avoid termination.

THE PHANTOM PREMIUM

- Consumer was enrolled in 2014 Marketplace plan with premium tax credits and did not update info by December 15.
- 2014 plan was auto-renewed with 2014 tax credit.
- Consumer gets bill for 2015 renewed plan with outdated premium.
- Consumer updates Marketplace account after December 15. After reviewing options, consumer decides to stay enrolled in same plan with updated tax credit.
- Consumer will have to pay all 2015 premiums (including the outdated premium that was billed before s/he visited Marketplace) in order to keep 2015 coverage.

WHY IS THIS A PROBLEM?

- Most consumers don't realize they stayed enrolled via the 90 day grace period.
- As a result, these consumers don't realize they MUST pay this phantom premium to keep coverage — they can't just pay February or March premiums and keep coverage.
- Many of these phantom premiums are much higher than the 2014 premium was and than the updated premium ought to be, causing many consumers to forego January coverage.

THE BOTTOM LINE

Many consumers in these circumstances will **lose coverage** after February 15

Losing coverage will NOT qualify them for a Special Enrollment Period, leaving them without health insurance coverage for the year and subject to a penalty

JULIE AND THE PHANTOM PREMIUM

Julie enrolls in QHP A through the Marketplace with tax credits in May 2014. Her premium for QHP A is $30. She pays all of the premiums for 2014 and remains enrolled in December 2014. Julie <u>does not visit the Marketplace before December 15</u> to update her information, get an updated APTC amount, and shop around for coverage.

The Marketplace auto-renews Julie into QHP A with her 2014 PTC amount.

Julie gets a bill for her January coverage which has gone up to $200.

Julie cannot afford her outdated January premium amount for QHP A. She decides that she will not pay it and will go without January coverage. She still wants coverage for the rest of 2015.

Julie enters into a grace period for QHP A.

Julie visits the Marketplace on January 10 to update her APTC amount. She decides to stay in QHP A. Her new February premium for QHP A is $33.

Julie remains in a grace period for QHP A.

Julie pays all of the premiums she owes QHP A by March 31. Julie owes $266 ($200 for Jan, $33 for February, and $33 for March).

Julie's coverage continues for 2015

Julie pays her February and March premium ($66). The insurance company applies it to the amount she owes for January. She does not pay the rest of the premiums she owes by March 31.

Julie's coverage ends. She is NOT eligible for a special enrollment period to enroll in a new plan.

Julie visits the Marketplace on January 10 to update her APTC amount. She decides to change to QHP B. Her new February premium for QHP B is $33.

Julie pays her February premium for QHP B.

QHP B begins on February 1 and Julie no longer has to worry about premiums she may owe in QHP A. She will not have January coverage in QHP A.

Julie continues to pay her premiums and remains insured for the rest of 2015.

Julie cannot afford her outdated January premium amount for QHP A. She decides that she will not pay it and will go without January coverage. She still wants coverage for the rest of 2015.

Julie enters into a grace period for QHP A.

Julie visits the Marketplace on January 10 to update her APTC amount. She decides to **change to QHP B**. Her new February premium for QHP B is $33.

Julie pays her February premium for QHP B.

QHP B begins on February 1 and Julie no longer has to worry about premiums she may owe in QHP A. She will not have January coverage in QHP A.

Julie continues to pay her premiums and remains insured in QHP B for the rest of 2015.

Julie cannot afford her January premium amount for QHP A. She decides that she will not pay it and will go without January coverage. She still wants coverage for the rest of 2015.

Julie enters into a grace period for QHP A.

Julie visits the Marketplace on January 10 to update her APTC amount. She decides to stay in QHP A. Her new February premium for QHP A is $33.

Julie remains in a grace period for QHP A.

Julie pays all of the premiums she owes QHP A by March 31. Julie owes $266 ($200 for Jan, $33 for February, and $33 for March).

Julie's coverage continues for 2015

Julie pays her February and March premium ($66). The insurance company applies it to the amount she owes for January. She does not pay the rest of the premiums she owes by March 31.

Julie's coverage ends. She is NOT eligible for a special enrollment period to enroll in a new plan.

IF JULIE WANTS TO STAY IN THE SAME PLAN…

January………………………….. $200
+ February……………………..$33
+ March………………………...$33

Julie must pay $266
by March 31, 2015

WHY IS THIS THE PHANTOM PREMIUM?

- Many consumers won't realize they are "on the hook" for the premiums until they get a bill and/or their coverage ends. (The Marketplace Call Center reps also don't seem to realize it!)

- The higher premiums will follow a consumer until they pay the past due premiums or until their coverage is cancelled. They are on the hook unless they switch plans.

- If coverage ends after February 15 due to non-payment, the consumer WILL not qualify for a Special Enrollment Period. This problem will keep following them!

WHAT ARE JULIE'S OPTIONS?

1. Paying all premiums to ensure coverage continues. → **This is the only route we know will work.**

2. Enroll in a different plan by February 15, 2015. Coverage will begin March 1, 2015 in the new plan with the new premium. → **This should work, but there might be challenges.**

3. Actively terminate the plan she was auto-renewed into on HealthCare.gov. Complete a new application and enroll again in the same plan. → **We don't know that this will work. This is a gamble.**