



State of New Jersey

DEPARTMENT OF BANKING AND INSURANCE
INDIVIDUAL HEALTH COVERAGE PROGRAM

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Acting Commissioner

ADVISORY BULLETIN 12-IHC-03

October 22, 2012

To: IHC Program Member Carriers that Issue Coverage
IHC Program Interested Parties

From: Ellen DeRosa
Executive Director

Re: Waiver from the Annual Limits Requirements – Text for 2013

The purpose of this Advisory Bulletin is to provide carriers issuing the Basic and Essential Health Care Services Plan (B&E Plan) with the text of the notice that must be provided to all individual consumers who might buy, currently have, or will be issued a B&E Plan.

The waiver renewal New Jersey filed in 2011 allows the B&E plans with annual limits to continue to be offered until December 31, 2013. As part of the waiver I will file an Annual Limit Update by December 31, 2012 and again by December 31, 2013. Inforce B&E plans may continue until the end of the plan year that begins prior to January 1, 2014.

The current Annual Notice of Waiver is dated 2012 and will soon be out of date. Consumers seeking to purchase coverage in 2013 will need a Notice that reflects the \$2 million amount for 2013. Carriers will be required to update marketing materials to replace the 2012 Notice with the 2013 Notice. New policies issued in 2013 must include the 2013 Notice. In addition, Carriers will be required to mail the 2013 Notice to all inforce policyholders. This will be the final annual mailing. Updating marketing materials and policy issue documents and preparing an annual mailing will require lead time and thus I prepared the Annual Notice of Waiver for 2013.

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Required Action

As with the prior Notices, the Notice for 2013 must be printed in bold 14-point type.

Remember, CCIIO requires that the Notice be provided in three circumstances.

1. Notice must be provided to all consumers who are seeking to purchase individual coverage.
2. All new policyholders must be issued the notice with the newly issued policy. When included with the policy the notice should be placed toward the front.
3. All existing B&E policyholders must be issued the Notice on an annual basis

I updated the explanation letter I developed last year. Enclosing the letter really helped reduce the questions. People are starting to ask what will happen to their B&E coverage in 2014. I included a paragraph addressing the date by which inforce policies will end.

Anyone who might want to upgrade coverage has already received the notice at least once so mailing the annual notice in time for the November Open Enrollment as was done last year is not necessary.

The explanation letter dated November 2012 is attached and should be included with the Annual Notice of Waiver for 2013.

All individual marketing materials for 2013 must include the Annual Notice of Waiver for 2013.

All new B&E policies issued with effective dates of January 1, 2013 or later must include the Annual Notice of Waiver for 2013.

The annual mailing to all inforce policyholders must be mailed no later than January 31, 2013. Including the calendar month of January as a possible time for the annual mailing will hopefully help with scheduling.

The text of the Annual Notice of Waiver for 2013 follows. The fourth paragraph of the text only applies to carriers that renewed waivers with respect to benefits added by rider. The text of the explanation letter is attached and ready to copy.

Carriers should acknowledge receipt of this Advisory Bulletin and confirm that the required notice and explanation letter will be provided.

If you have any questions, please contact me at 609-633-1882 ext 50302 or ellen.derosa@dob.state.nj.us.

Annual Notice of Waiver for 2013

The Affordable Care Act prohibits health plans from applying arbitrary dollar limits for coverage for key benefits. This year, if a plan applies a dollar limit on the coverage it provides for key benefits in a year, that limit must be at least \$2 million.

The benefits and limitations included in your health insurance coverage are mandated by New Jersey law. All companies offering individual coverage in New Jersey are required to offer the limited benefit coverage which is known as the Basic and Essential (B&E) plan. The B&E plan does not meet the minimum standards required by the Affordable Care Act described above. Instead, it puts an annual limit of:

- \$500 per person per calendar year for out-of-hospital diagnostic tests**
- \$600 per person per calendar year for wellness benefits**
- \$700 per person per calendar year for physician visits for illness or injury**

In order to apply the lower limits described above, the State requested a waiver of the requirement that the coverage for key benefits be at least \$2 million this year. That waiver was granted by the U.S. Department of Health and Human Services based on the State's representation that providing \$2 million in coverage for key benefits this year would result in a significant decrease in your access to benefits. This waiver is valid until January 1, 2014.

[The B&E plan entirely excludes coverage for some services and supplies. [Carrier's name] elected to add limited [type of benefit] benefits to the B&E plan so consumers would have some coverage for [type of benefit]. The annual limit for [type of benefit] is:

- [limit]**

In order to apply the lower limits for [type of benefit] [Carrier's name] requested a waiver of the requirement that the coverage for key benefits be at least \$2 million this year. That waiver was granted by the U.S. Department of Health and Human Services based on the [Carrier's name] representation that providing \$2 million in coverage for key

benefits this year would result in a significant decrease in your access to benefits. This waiver is valid until January 1, 2014.]

If the lower limits are a concern, there may be other options for health coverage available to you and your family members. For more information, go to http://www.state.nj.us/dobi/division_insurance/ihcseh/shop_ihc.htm.

If you have any questions or concerns about this notice for the waiver the State requested, contact the New Jersey Individual Health Coverage Program at 609-633-1882 ext 50302 or by email at ellen.derosa@dobi.state.nj.us. [Questions or concerns about the waiver [carrier's name] requested should be directed to [Carrier].]



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KENNETH E. KOBLOWSKI
Acting Commissioner

November 2012

Dear New Jersey Consumer,

I asked all of the companies selling the Basic and Essential (B&E) Plan in New Jersey to include this letter along with the Annual Notice of Waiver for 2013 (Notice) which is required by Federal law. Whether you are a new customer or have had the B&E plan for years, you have seen the Notice at least once before. The purpose of my letter is to help you understand what the Notice means for you.

First, I'll offer a little background. There are many health benefit plans sold in New Jersey that provide coverage for a full range of services and supplies and have no dollar limits on benefits for the services or supplies. Because the benefits are comprehensive, the cost for the plans is expensive. Some people want to buy coverage but simply cannot afford it. Back in 2003 a New Jersey law was enacted that required all companies selling individual coverage to also sell a more affordable plan called the Basic and Essential Healthcare Services Plan (B&E Plan). In order to achieve the desired affordability (i.e. lower premium) the law identifies a limited list of services and supplies the B&E Plan must cover and applies annual dollar limits to several of the services. The B&E Plan is a limited benefit plan that does not provide coverage for some services and supplies a person may expect or need a health plan to cover.

One goal under the new Federal law called the Patient Protection and Affordable Care Act (ACA) is for people to have plans that do not contain annual dollar limits. The law recognizes that there may be good reasons for continuing to allow annual benefit limits and thus created a process whereby plans and States can request what is called a "waiver" from the annual limits requirements. The "waiver" means the annual limits may remain in place.

In order to preserve the B&E Plan as an option for New Jersey residents, the State of New Jersey requested a waiver so the B&E Plan can remain an available plan until December 31, 2013 which is coming up soon. As of January 2014 different provisions of the ACA will apply and information on your options will be made available as soon as possible so you can make informed health coverage decisions.

For now I can provide some information regarding how much longer your B&E plan can remain in place. The date by which your B&E plan must end will depend on the date it was issued or renewed. Your plan will end at the end of the plan year that begins before 01/01/14. Several examples may help. If your policy was effective 01/01/12 then it will renew Jan 1, 2013 starting the plan year that begins before 01/01/14. The plan year and coverage will end 12/31/13. If your policy was effective 07/01/12 then it will renew 07/01/13 starting the plan year that begins before 01/01/14. The plan year and coverage will end 06/30/14. A policy effective 12/01/13 is issued with a plan year that begins before 01/01/14. The plan year and coverage will end 11/30/14.

The Federal government wanted to be sure everyone who bought the B&E Plan understands that the coverage they bought has limited benefits and required that people covered under the B&E Plan be given a notice discussing the limits and the waiver. A notice must be sent out each year to all B&E policyholders. The Federal government

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wrote the basic text of the Annual Notice of Waiver for 2013. New Jersey was permitted to modify the text to address the specifics of the waiver that was received. The companies selling the B&E Plan are given the Notice to mail to all of their customers covered under the B&E Plan.

Now that you know why you are getting the Notice, I'll offer some information on what it means to you.

The Notice describes the limited coverage under the B&E Plan that all companies selling individual coverage in New Jersey must sell. If you bought a plain B&E Plan (without any extra benefits added), the \$500, \$600 and \$700 annual limits stated in the Notice are already part of your plan. The Notice does not add them. They already exist. The Notice is not advising you of any change that has been made or will be made to your plan. If you bought a B&E Plan with extra benefits that is sold with names such as Plus, Enhanced, Basic, or Preferred, then your plan does not apply one or more of the annual limits. The Notice is not adding the annual limit(s) back into the plan. To better understand any added benefits you bought refer to your plan or call member services at the number on your ID card.

The Notice mentions \$2 million in coverage. There is no \$2 million limit in your B&E plan and the Notice does not add such a limit. That dollar amount comes from the Federal law and is used to help determine if the annual limits in the B&E Plan should be continued. New Jersey had to determine what would happen if the \$500, \$600 and \$700 annual limits were each increased to an annual limit of \$2 million. The result would have been a significant increase in premium for the coverage which we believe would have made the plan unaffordable for many people. The result would have been people dropping coverage and becoming uninsured because the cost would have exceeded what their budgets would allow.

I realize none of you intentionally sought out a plan that limits benefits and you are likely not happy knowing you have a limited benefits plan. Most people buy the B&E Plan because the premium is within their budget. While the coverage is not comprehensive coverage, it is nevertheless good coverage for some services that could cost a lot of money. For example, the B&E Plan provides coverage for up to 90 days of hospitalization per year. Hopefully a person does not need to stay 90 days, but even if a person does, the only out of pocket cost to the patient for the entire hospitalization is the \$500 copay.

The Notice explains that other plans without limits are available in New Jersey. Under current New Jersey law if you are an existing customer under a B&E Plan and decide you want to buy a more comprehensive plan the time to do it is during the November Open Enrollment Period. Since coverage elected during the Open Enrollment period is effective the following January 1, the November 2012 is the final Open Enrollment Period solely governed by New Jersey law. Under the ACA an enrollment period is scheduled to begin in October 2013.

If you are a new customer and you are reading this letter with the plan you just bought and you think you should have selected a different plan, you do not need to wait for the November Open Enrollment Period. Every individual policy has a 30-day Right to Examine the policy provision. This means a person can return the policy during the first 30 days after having received it. The insurance company will return the premium paid less any claims that were paid. A person who returns a B&E Plan using the Right to Examine provision can buy a different plan at any time.

I hope my letter helps you understand the Annual Notice of Waiver for 2013. As you read the Notice remember it is not changing anything you already bought and you do not have to do anything unless you decide to buy another plan. If you have questions after having read my letter and the Notice please feel free to email me at ellen.derosa@dobi.state.nj.us. The Notice also includes my phone number, but email is the best way to reach me.

Sincerely,



Ellen F. DeRosa
Executive Director