



Fulfilling the Promise of Health Reform: Ensuring Access for Individuals with Pre-Existing Conditions

Background

- Over 8 million Californians are uninsured,¹ and insurance companies use medical underwriting in order to “cherry pick” only the healthiest individuals by charging higher premiums, limiting coverage, or denying coverage altogether, to individuals because of their health status, age, and other factors.
- An estimated 400,000 to 800,000 uninsured Californians statewide want to buy health insurance on their own,² but are unable to secure health coverage at any price because they have already been denied coverage because and insurers have deemed them “uninsurable”.
- Since the 1990’s, California has operated the Managed Risk Medical Insurance Program (MRMIP), a publicly subsidized health insurance program for “medically uninsurable” (high-risk) persons unable to purchase individual coverage in the private market, however MRMIP enrollment is currently at capacity (about 7,000 individuals) and there is a waiting list for MRMIP coverage.³
- A significant problem for thousands of Californians has been that of “rescissions”, where consumers who have been paying their premiums find that their coverage has been cancelled retroactively, often after needing expensive care (such as heart surgery or chemotherapy), which trigger an insurance company audit of the their original application, where any misunderstood or incorrectly answered questions are considered grounds for a rescission. When insurance coverage is rescinded, it is as if a patient never had coverage and the patient is left with thousands of dollars in medical bills, uninsured and uninsurable.
- These problems impact all ages. Early retirees and others 50-65 without job-based coverage are at significant risk of being denied because of health status. But insurers have denied coverage to young people in their 20s, and for relatively minor ailments. In fact, younger adults who have left their parents’ group coverage are more at risk because they are less likely to get have job-based coverage, and more likely to need to buy coverage as an individual, where they can be denied for a “pre-existing condition.”

Federal Health Reform

The historic federal health reform legislation signed by President Obama in late March 2010 creates new opportunities for Californians to obtain quality, affordable health coverage.⁴ With respect to ensuring access for those with pre-existing conditions, federal health reform makes the following changes by 2014:

- Prohibits insurers from denying coverage or charging higher premiums for individuals with pre-existing conditions.

Beginning in 2010, the federal health reform:



- Prohibits insurers will be prohibited from denying coverage to children with pre-existing conditions;
- Provides immediate funding (\$5 billion nationally through 2013) for a temporary high-risk pools to cover those who have been denied coverage in the existing commercial markets;
- Prohibits insurers from rescinding coverage (except in cases of fraud); and
- Extends dependent coverage for young adults up to age 26.

Fulfilling the Promise in California

In order to fulfill the promise of health reform in California, bills in the state Legislature would both implement and improve on the federal law, to:

- **Assure children and young adults get coverage: AB 2244** (Feuer) would prevent insurers not just from denying children's coverage due to pre-existing conditions, but also limit the differences in premiums. The bill implements "phased-in modified community rating" for children, meaning insurers would only be able to charge 20% more or less due to health status, which would step down to no difference by 2014. **SB 1088** (Price) would allow young adults to stay on their parent's coverage as a dependent until age 27.
- **Regulate rescissions and medical underwriting**: While federal law prevents rescission except in cases of willful misrepresentation, **AB 2470** (De La Torre) would require that any insurer would have to seek independent regulatory approval before rescinding anyone's coverage. The bill also requires that regulators standardize the health history questions used by health insurers on application forms.
- **Strengthen the state's high-risk pool: SB 227** (Alquist) would create a fee to secure state funding for the Major Risk Medical Insurance Pool for those denied with pre-existing conditions. Another bill on this topic, AB 1887 (Villines), is also pending.



This factsheet was prepared by Health Access, a statewide coalition of consumer, labor, ethnic, senior, faith, and other organizations that has been dedicated to achieving quality, affordable health care for all Californians for over 20 years. Please visit our website and read our daily blog at www.health-access.org

¹ S. A. Lavarreda, *et al.*, "Number of Uninsured Jumped to More Than Eight Million from 2007 to 2009," UCLA Center for Health Policy Research (March 2010).

² Harbage Consulting, "Unavailable at Any Price: Why Many Californians Can't Buy Health Insurance at Any Price and the

Urgent Need to Reform California's High Risk Pool," AARP (August 12, 2008)

³ See more about MRMIP at the Managed Risk Medical Insurance Board website at <http://www.mrmib.ca.gov/mrmib/MRMIP.shtml>.

⁴ The Patient Protection and Affordable Care Act (P.L. 111-148 signed into law on March 23, 2010) and the Health Care and Education Reconciliation Act of 2010 (P.L. 111-152 signed into law on March 30, 2010).