



THE SECRETARY OF HEALTH AND HUMAN SERVICES
WASHINGTON, D.C. 20201

December 19, 2013

The Honorable Mark R. Warner
United States Senate
Washington, DC 20510

Dear Senator Warner:

Thank you for your thoughtful letter regarding the options that might be available to constituents if their insurer has canceled their individual market plan. You have raised an important point, and I want you to know how much I appreciate your constructive leadership on this issue.

As you know, one of the primary goals of the Affordable Care Act is to improve the quality and affordability of health insurance. That's why the law requires health plans to cover preventive services at no cost to consumers and prohibits plans from setting a lifetime or annual limit on benefits, denying coverage, or raising premiums due to pre-existing conditions.

Historically the individual insurance market has been extremely volatile with consumers entering and exiting plans frequently. The lack of defined consumer protections in this market has accelerated the turn over in these plans. In fact, about 35 to 65 percent of health plans in today's individual market are retained for just one year or less.

While some consumers are very satisfied with their policies and the benefits they receive, too many have found their policies become unaffordable when they get sick and need coverage the most. Moreover, in recent years annual premium increases have averaged about 15 percent for those who stay in their plan for more than one year.

Even though the Affordable Care Act will offer more coverage choices and protections for millions of Americans, we are committed to ensuring the smoothest transition possible for those who need to find a new health plan.

The President and I want to do everything we can to ensure that individuals with canceled plans have as many options as possible. The policy that President Obama announced in November that allows states and insurers to renew their 2013 health plans for 2014 is already helping many consumers who faced loss of their coverage. Over half the states have accepted this option, and many insurers have opted to renew plans so individuals can keep their coverage if they choose to do so.

As a result of the President's renewal policy and early renewals offered by many insurers, the population of individuals with canceled plans who do not have quality, affordable coverage for 2014 is clearly shrinking. Just as importantly, major insurance companies are aggressively reaching out to consumers and working with them to find other acceptable options. These companies are sending families multiple notices so that they will be aware of all their options. And when it is not possible to help consumers stay in an existing plan, they are trying to help them find plans that meet their needs.

Moreover, we continue to work on options to address transition issues, such as continuing access for those with pre-existing conditions by extending the PCIP program by one month. I also want to commend America's Health Insurance Plans (AHIP) and the companies they represent for announcing yesterday that they will allow those who select coverage by December 23 to have coverage effective January 1, while accepting premium payments until January 10.

The Department of Health and Human Services is also doing aggressive casework with these individuals. To date, we have resolved nearly half of the cases we have received about canceled plans and another one-third are in progress. Also, this week the Centers for Medicare & Medicaid Services is setting up a separate hotline specifically targeted to help consumers who have received cancellations (1-866-837-0677).

We understand, however, that despite all these efforts, there still may be a small number of consumers who are not able to renew their existing plans and are having difficulty finding an acceptable replacement in the Marketplace.

As you point out, the Affordable Care Act recognizes that individuals facing a hardship that makes it difficult to afford a health plan with comprehensive benefits may qualify for an exemption from the individual responsibility requirement. Individuals who qualify for this "hardship exemption" are also able to purchase a catastrophic plan on the Marketplace. The premium for these plans, which are otherwise only available to individuals under 30 years of age, are on average about 20 percent lower than premiums for other plans available in the Marketplace.

I very much appreciate your asking for a clarification on whether this exemption applies to those with canceled plans who might be having difficulty paying for an existing bronze, silver, or gold plan. I agree with you that these consumers should qualify for this temporary hardship exemption, and I can assure you that the exemption will be available to them. As a result, in addition to their existing options these individuals will also be able to buy a catastrophic plan to smooth their transition to coverage through the Marketplace. To avoid any confusion on this point and to make sure consumers can make decisions that are in their best interest, we will supplement our existing call centers with a dedicated phone number and specialists to assist with any questions in this area.

Thank you again for raising this issue and for all your efforts to make sure that every American has an opportunity to both know all their options in the free market and to find the policies that are best for them.

Sincerely,

A handwritten signature in black ink, appearing to read 'Kathleen Sebelius', with a stylized, cursive script.

Kathleen Sebelius

cc: Senator Angus King
Senator Jeanne Shaheen
Senator Mary L. Landrieu
Senator Heidi Heitkamp
Senator Tim Kaine