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IT'S OUR POLICY TO PROTECT.

I'd like to share this message with you from HM Insurance Group President & COO Mike Sullivan.

Advisory: Patient Protection & Affordable Care Act

March 26, 2010 — The insurance industry is beginning to identify the challenges and opportunities of the recently enacted Patient Protection & Affordable Care Act. At HM, we have been following the legislation closely and modeling scenarios of the potential impact on our lines of business and our producers' livelihoods. We have been vocal in Washington, D.C., working closely with the Self Insurance Institute of America (SIIA) to support its lobbying efforts. At the end of this message is a brief recap from SIIA of the enacted consumer protections affecting self-insured employer-sponsored health plans.

While it seems evident that most of the requirements of the law could increase costs for fully-insured and self-funded plans, there is less of a direct impact on employer stop loss coverage. HM anticipates that the prohibition of annual and lifetime limits, dependent coverage up to age 26, fees for the pharmaceutical and medical device sectors and possibly the prohibition of pre-existing conditions may affect pricing or design of employer stop loss coverage.

Currently, we are conducting a thorough assessment of the relationship of all changes at the self-funded, underlying plan level and identifying the corresponding impact on stop loss. Additionally, we will analyze the new reporting requirements and provide guidance as appropriate. Our initial assessment leads us to believe that there will be little or no impact on our Worksite products, as products such as critical illness, accident, disability income and term life insurance are designed to provide financial asset protection to employees and not health insurance.

HM Life Insurance Company, HM Life Insurance Company of New York and HM Casualty Insurance Company recently were reaffirmed by A.M. Best with a 2009 rating of A- (Excellent) and a stable outlook.

We are committed to our producer partners and encourage you to bring your issues and concerns to us. We recently have established the HM Expert Exchange on LinkedIn and invite you to join other knowledgeable producers and HM leadership to share ideas and gain insight during this time. We will continue to bring you updates and work closely with you and your clients for our mutual success.

Sincerely,

Michael W. Sullivan
President & COO
HM Insurance Group

From the Self-Insurance Institute of America, Inc.:

Enacted Consumer Protections Affecting Employer-Sponsored Health Plans

- Prohibition of lifetime limits - Prohibits all plans from establishing lifetime limits. (starting in 2010, 6 months from enactment)
- Prohibition of annual limits - Prohibits all plans from establishing annual limits on the dollar value of benefits starting in 2014. Prohibits plans from setting limits that would "impair essential health benefits" in subsequent years.



(starting in 2014)

- Prohibition on rescissions - Prohibits all plans from rescinding coverage except in instances of fraud or misrepresentation. (starting in 2010, 6 months from enactment)
- Coverage of preventive health services - Requires all plans to cover preventive services and immunizations, recommended by various Federal agencies, also specifically includes certain child preventive services and women's preventive care. Plans are prohibited from imposing any cost-sharing requirements. (starting in 2010, 6 months from enactment)
- Dependent coverage - Requires all plans offering dependent coverage to make coverage available to dependents that are under the age of 26 and unmarried. Plans are not required to cover dependents of dependents. (starting in 2010, 6 months from enactment)
- Prohibition of pre-existing conditions - No group health plan or insurer offering group or individual coverage may impose any pre-existing condition exclusion or discriminate against those who have been sick in the past. (starting in 2010, 6 months from enactment for children — while not included in the legislation, it is expected that this will be written into the regulations; 2014 for the group and individual markets)
- Prohibiting discrimination based on health status - No group health plan may set eligibility rules based on health status, medical condition, claims experience, receipt of healthcare, medical history, genetic information or evidence of insurability - including acts of domestic violence or disability. Permits employers to vary insurance premiums by as much as 30% for employee participation in certain health promotion and disease prevention programs.
- Prohibition on waiting periods - Prohibits any waiting periods for group or individual coverage that exceed 60 days. Employers are penalized \$600 per full-time employee for each employee required to wait beyond 60 days.

For a full copy of [SIIA's report](#), go to [SIIA Discusses Implications of Landmark Health Reform Legislation](#). An update on the Reconciliation Bill, also from SIIA, can be found at [Health Care Reconciliation Bill Passes - Grandfathered Plans Now Subject to Additional Reform](#).

Contact me with any questions you may have. I can be reached by phone at [Rep Number] or by e-mail at [\[repname@hminsurancegroup.com\]](mailto:repname@hminsurancegroup.com).