



CMS Extends Transition Policy for Non-ACA Compliant Plans

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Quick Facts:

- The Centers for Medicare and Medicaid Services (CMS) recently extended its transition policy for non-ACA compliant plans for an additional year.
- The extension is available for individual or small group market plans that meet certain criteria.
- CMS will not deem such coverage to be out of compliance with the ACA's market reforms.
- If a state allows it, insurers can (but do not have to) renew non-compliant coverage through 2020.

Recently, the Centers for Medicare and Medicaid Services (CMS) [extended an existing transition policy](#) for certain health plans ("grandmothered" plans) that do not comply with the Affordable Care Act (ACA). For policy years beginning on or before October 1, 2020, the extension is available for grandmothered plans as long as the plan comes into compliance with ACA regulations by January 1, 2021. In states that allow it, health insurers have the option of renewing current policies for current enrollees without adopting all of the ACA's market reforms that took effect in 2014.

Background

The ACA includes key reforms that created new coverage standards for health insurance policies effective as of 2014. For example, the ACA imposes modified community rating standards and requires individual and small group policies to cover a comprehensive set of essential health benefits.

Late in 2013, millions of Americans received notices informing them that their plans would be canceled because they did not comply with the ACA's reforms – contrary to government assurances that if individuals had a plan they liked, they could keep it.

Responding to pressure from consumers and Congress, President Obama [announced a transition relief policy](#) for 2014 for non-grandfathered coverage in the small group and individual health insurance markets. If permitted by their states, this transition policy gave health insurers the option of renewing current policies for current enrollees without adopting all of the ACA's market reforms for 2014. CMS has extended this relief several times.

The Latest Extension

CMS again extended this transitional policy for policy years beginning on or before October 1, 2020, provided that all policies end by January 1, 2021. Under the extended transitional policy, health coverage in the individual or small group market that meets certain criteria will not be deemed out of compliance with ACA market reforms.

Specifically, the extended transition relief policy provides that:

- states may allow insurers that have continually renewed policies under the transitional policy since 2014 to renew that coverage for a policy year starting on or before October 2020; but
- any policies renewed under this transitional policy must not extend past December 31, 2020.

According to CMS, it intends that the additional extension will continue to ease the transition of health coverage in the individual and small group markets into compliance with all applicable ACA requirements.

The extended transition relief applies only to individuals and small businesses with coverage that has been continually renewed since 2014. It does not apply with respect to individuals and small businesses that obtained new coverage in 2014 or after. All new plans must comply with the full set of ACA reforms.

Implementing the Extended Transition Relief Policy

CMS stated that they will work with insurers and states to implement this extended transition policy, including options such as allowing:

- policy years that are shorter (but not longer) than 12 months; or
- early renewals with a start date of January 1, 2020.

States can elect to extend the transitional policy for shorter periods than outlined above, but may not extend it beyond these periods. Also, states may choose to adopt the extended transitional policy:

- for both individual and small group markets;
- for individual markets only; or
- for small group markets only.

Notice to Affected Individuals and Small Businesses

Health insurers that renew coverage under this extended transitional policy must notify affected individuals and small businesses.

CMS provided two separate versions of the required notice:

- one for when an issuer already has sent a policy cancellation notice; and
- one for when an issuer has not yet sent a cancellation notice.

According to CMS, these are required standard notices that cannot be modified. Insurers renewing coverage under the extended transition policy must use one of the notices provided by CMS, as applicable.

State Decisions

Because the insurance market is primarily regulated at the state level, state governors or insurance commissioners ultimately will determine whether they will allow for the transition relief in their respective states. Thirty-two states (notably not California) have allowed the transitional policies to continue as permitted under the federal transition relief and likely will continue to do so under the latest announcement.

Summary

Small employers with non-ACA compliant policies may be able to keep the coverage in place through 2020, depending on the plan or policy year and whether state insurance law permits the latest transition plan extension.

Please be aware that this does not represent legal or tax advice and is only Frenkel's interpretation of the laws, regulations and statutes. It is highly recommended that you seek the advice of your legal and tax professional as to the applicability of this information to your particular situation.