



## Health Care Reform, What's in It? *Rural Individuals and Families*

a series examining health care issues in rural America



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The Patient Protection and Affordable Care Act (PPACA), the federal health care reform law signed into law in March 2010, contains numerous reforms concerning how health insurance will be offered, what insurance will cover, and how health insurance companies can treat individuals and families. These reforms will have significant effects on the health insurance coverage and health status of all Americans and all American families. And because of the health disparities in many rural communities, the effects may be more significant for rural residents. This report will outline some of the more important and immediate reforms and their potential consequences for rural individuals and families.

### **Bans Denials Due to Pre-existing Conditions**

Section 2704 of the law prohibits any health insurance issuer offering group or individual health insurance coverage from imposing “any preexisting condition exclusion” on insurance plans or coverage. No longer will health insurance companies be able to exclude individuals or members of a family from insurance coverage because of their health status or because of a chance chronic disease or condition.

This provision becomes effective for adults in 2014. It is effective for children under the age of 19 on September 23, 2010. On that date a child under the age of 19 can no longer be denied coverage under his or her parents’ health insurance because of the child’s health status or the existence of a pre-existing condition.

The existence of pre-existing conditions is a major health care issue in the United States. It is estimated that over 57 million Americans under the age of 65—or more than one in five non-elderly Americans—have a diagnosed pre-existing health condition, making them at risk of health insurance denial absent the PPACA provision.<sup>1</sup> No one is immune from pre-existing conditions; diagnosed pre-existing conditions exist in significant numbers in all age, income and racial groups. Not surprisingly, the rates of diagnosed pre-existing conditions increase with age, so that over 45 percent of those between 55 and 64 years of age have a diagnosed pre-existing condition. The rates of diagnosed pre-existing conditions also are highest for the lowest-income Americans, with over 24 percent of those under age 65 with a family income below the federal poverty level having a diagnosed pre-existing condition.<sup>1</sup>

The current system of denying health insurance coverage to those with pre-existing conditions places many individuals and families at physical and financial risk. Rendering a person or family uninsured means they are less likely to receive the health care they need when they need it. Delays in seeking care end up rendering a medical condition—especially one that already exists—more serious and more expensive.

The current practice of pre-existing condition denials also makes “job lock” more common—the practice of making decisions about jobs and work based on health insurance coverage, particularly for those who would lose insurance coverage because of a pre-existing condition if they went to a new job or started their own business.<sup>2</sup> This reduces productivity and makes labor markets less efficient. It is also critical for rural economies that rely on self-employment and entrepreneurship. Now more rural people will be able to pursue their entrepreneurial dreams without fear of not having health insurance coverage for themselves and their families.

The ban on denials due to pre-existing conditions is bound to help many rural residents and families. Rural areas have generally older and lower income populations, making more people likely to have diagnosed pre-existing

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conditions. Rural people are less insured through employer-sponsored health insurance, making pre-existing condition denials more likely due to rules concerning group health plans. The health disparities in rural areas also lend themselves to the existence of pre-existing conditions. The Center on an Aging Society at Georgetown University summarizes the health status of the nation as this: "The rural population is consistently less well-off than the urban population with respect to health."<sup>3</sup> More rural people have arthritis, asthma, heart disease, diabetes, hypertension and mental disorders than urban residents. The differences are not always large, but they are consistent—the proportion of rural residents with nearly every chronic disease or condition is larger. The result is more rural people facing the prospect of being denied health insurance due to health status and pre-existing conditions.

Despite an array of health care differentials between urban and rural people, there is evidence that the ultimate health status of rural people has much to do with health insurance coverage and the type of health insurance coverage. Evidence shows that rural people with employer-provided health insurance obtained more and less costly health care services than those with privately-purchased health insurance or with no insurance.<sup>4,5</sup> Unfortunately, many rural people lack such coverage. The new law, however, will make employer-provided health insurance and privately-purchased health insurance more comparable in terms of coverage denials. This should allow more rural people and families to obtain the health care they need when they need it.

The new law also prohibits health insurers from charging higher premiums based on health status. However, insurers are still allowed to charge up to three times the normal premium based on age. Given that the incidence of pre-existing conditions rise steadily with age, this authority provided health insurance companies has the potential to act as a backdoor penalty to many with pre-existing conditions. This has the potential for providing health insurance that cannot be taken away for many with pre-existing conditions, but at a less affordable price.

### **No More Dropping People When They Get Sick**

Section 2712 of the law prohibits the insurance practice called "rescission," the act of a health insurance company dropping one from a health insurance policy or plan for some reason, usually related to the policyholder or the plan enrollee getting sick or injured and requiring medical care. This provision prohibits the rescinding of any group or individual health insurance coverage except when the covered person has "performed an act or practice that constitutes fraud or makes an intentional misrepresentation of material fact as prohibited by the terms of the plan or coverage."

While this provision will benefit all Americans facing this situation, and while there is no apparent data showing how often this happens to rural residents and families (in comparison to non-rural residents and families), the health disparities faced by rural residents made rescissions based on health status quite possible. But now illegal.

This provision becomes effective September 23, 2010.

### **Ends Lifetime Health Insurance Benefit Caps**

Section 2711 of the law prohibits a group health plan and insurers offering group or individual health insurance coverage from establishing "lifetime limits on the dollar value of benefits for any participant or beneficiary" or "unreasonable annual limits...on the dollar value of benefits for any participant or beneficiary." Nearly all health insurance plans have annual and lifetime limits on the amount of benefits that may be paid out under the plan or policy. Once those limits are reached, an individual beneficiary or the beneficiary's family is essentially uninsured.

This provision will negate the worry individuals and families, especially those with chronic health care needs, have about running out of health benefits while fighting an illness or injury. The costs associated with serious illnesses

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such as cancer can easily outpace annual and lifetime limits. The fact that rural residents have higher rates of nearly all chronic diseases and conditions will make this provision particularly helpful for rural individuals and families.

This provision becomes effective September 23, 2010.

### **Provides Health Insurance for Children through Age 26**

Section 2714 of the law requires that group health plans and insurers offering group or individual health insurance coverage that provides for dependent coverage of children “shall continue to make such coverage available for an adult child until the child turns 26 years of age.”<sup>a</sup>

This provision will allow young adults starting out in their work life and careers to maintain the health insurance coverage they have had for years through their parents’ insurance. While people in this age group are generally the healthiest age cohort in the population, young adults do get sick, do contract serious medical conditions and do have accidents. Young adults are also particularly susceptible to trends in health insurance coverage. Young adults are entering a work environment where fewer employers are providing health insurance to employees and where people have more jobs over a lifetime, making long-term health insurance stability less likely. This provision will provide young adults the opportunity to get started in this environment without having to worry about the cost and availability of health insurance. And it will provide peace of mind to parents about the continued health of their children.

This provision will be beneficial to rural young adults due to fewer health insurance options in rural areas. Under current law many rural children would leave their parents’ health insurance at 18 or 19, and in many cases would begin a long struggle to find and afford health insurance coverage. This provision will provide at least a few additional years of coverage and protection in the case of illness or accident.

This provision becomes effective September 23, 2010.

### **Free Preventive Care**

Section 2713 of the law provides that group health plans and insurers offering group or individual health insurance coverage “shall provide coverage for and shall not impose any cost sharing requirements” (copays, coinsurance or deductibles) for a host of preventive care items. This provision will not apply to “grandfathered” plans, generally those health plans that existed on March 23, 2010, the day the law was enacted. Based on interim regulations issued by the U.S. Departments of Labor, Treasury and Health and Human Services issued on July 19, 2010, this provision will apply to services and procedures such as:

- ◆ Blood pressure, diabetes, and cholesterol tests
- ◆ Many cancer screenings
- ◆ Counseling from your health care provider on such topics as quitting smoking, losing weight, eating better, treating depression, and reducing alcohol use

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<sup>a</sup> As originally adopted, Section 2714 adopted the Patient Protection and Affordable Care Act extended coverage to children under the age of 26 if unmarried. Section 2301(b) of the companion Health Care and Education Reconciliation Act of 2010 (H.R. 4872) removed the marriage condition.

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- ◆ Routine vaccines for diseases such as measles, polio, or meningitis
- ◆ Flu and pneumonia shots
- ◆ Counseling, screening and vaccines for healthy pregnancies
- ◆ Regular well-baby and well-child visits, from birth to age 21

This provision holds great potential for rural people. Rural residents are more likely to report fair to poor health status and are more likely to have experienced a limitation of activity caused by chronic conditions than urban residents.<sup>7,8</sup> Obesity is more common among rural residents than urban residents, as are diabetes, heart disease, and high blood pressure.<sup>8,9</sup>

Correspondingly, many preventive care services are less used by rural residents. For example, rural residents receive fewer regular medical check-ups, blood pressure checks, mammogram screenings, pap smears, and cholesterol checks than they medically and statistically should.<sup>4,6,8</sup> The percentage of diabetes patients who received all three recommended exams for diabetes is lower for patients in rural areas. Perhaps as a result, rates of hospital admissions for uncontrolled diabetes are higher among residents of rural areas.<sup>10</sup>

Taken together, rural residents are sicker and do less to prevent chronic conditions and their natural outcomes—or they are sicker because of less access to preventive care and services. No matter the reason, the new health care reform law now provides insured rural residents and their families a broad menu of preventive care services at no cost.

Ultimately, our health care system will become stable and sustainable only if people become healthier and reduce health care costs attributable to chronic diseases. This provision has the potential to make significant progress toward that goal.

This provision becomes effective September 23, 2010.

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<sup>10</sup> Agency for Health Care Policy and Research. 2007. "Health Care in Urban and Rural Areas, Combined Years 2004-2006." Rockville, MD: Agency for Health Care Policy and Research.

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### ABOUT THE CENTER FOR RURAL AFFAIRS

Established in 1973, the Center for Rural Affairs is a private, nonprofit organization with a mission to establish strong rural communities, social and economic justice, environmental stewardship, and genuine opportunity for all while engaging people in decisions that affect the quality of their lives and the future of their communities.

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