The Media Guide to Child-Only Health Insurance

From the Oklahoma Insurance Department

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Introduction

On Dec. 5, 2011, Gov. Mary Fallin signed Emergency Rule 365:10-1-15 restoring the "child-only" health insurance market for the vast majority of Oklahoma youths whose parents or guardians wish to purchase new policies for kids not covered by family plans or SoonerCare.

The federal Patient Protection and Affordable Care Act, signed by President Barack Obama on March 23, 2010, created conditions that killed the child-only insurance market in Oklahoma and at least 16 other states, where every health insurance company stopped selling new policies for individual children. It crippled the markets in another 22 states, where at least one insurance company and potentially several ceased doing business in this segment of the market.

All child-only policies already in force remained in force, so all children who were covered before the passage of PPACA remained covered. Uninsured children of all ages could still get new insurance under a family policy. Children who qualify for SoonerCare were unaffected. But for at least 15 months prior to the passage of Emergency Rule 365:10-1-15 there has been zero market for parents or guardians who wish to purchase new individual insurance for a child age under age 19.

These children are a small segment of the Oklahoma insurance market – by most estimates fewer than 4 percent of all children in the state – but they are citizens that Insurance Commissioner John D. Doak and the Oklahoma Insurance Department are determined to see served. Since taking office on Jan. 10, 2011, Commissioner Doak and OID personnel have worked tirelessly in search of a solution to a problem they inherited. Emergency Rule 365:10-1-15 makes child-only health insurance available again for Oklahoma children ages 1 to 19.

Insurance solutions will continue to be vigorously sought for Oklahoma infants who are not on family plans or eligible for SoonerCare or the Oklahoma Temporary High Risk Pool.

'Child-Only' Timeline and Facts

- On March 23, 2010, President Obama signs the federal Patient Protection and Affordable Care Act, a 906-page overhaul of the American health care system that has not fully taken effect, but is already having grievous unintended consequences. Among the negative consequences was destruction of the child-only insurance market in Oklahoma and 16 other states, where every health insurance company stopped selling new policies in that market segment.

- In Sections 1201 and 1255 of the Act, PPACA mandates that if a company sells individual insurance for children, as of Sept. 23, 2010, the carrier could not deny coverage based on preexisting conditions.
- Though it is not written in the law, with a June 28, 2010 "Interim Final Rule" the White House and the Department of Health and Human Services declared previous denial of insurance to be a "preexisting condition," in effect mandating that child-only insurance was now "guaranteed issue," or sold on-demand.
- Federal reforms therefore created a child-only insurance market in which parents or guardians could choose to leave a child uncovered until he is actually sick or injured, buy a policy only when care is needed expecting the insurance company to pay most of the associated bills, then cancel the insurance when the child is well again.
- Faced with two undesirable choices – selling new child-only insurance to anyone, sick or healthy, at any time, or selling new child-only insurance policies to nobody at all – every insurance company doing business in Oklahoma elected to exit the child-only health market.
- This reaction by insurers was widespread. A U.S. Senate report dated Aug. 2, 2011, titled "Health Care Reform Law's Impact on Child-Only Health Insurance Policies," detailed that besides Oklahoma, the following states all suffered a total shutdown on the sale of child-only health insurance policies after passage of PPACA: Alaska, Arizona, Connecticut, Delaware, Florida, Georgia, Idaho, Minnesota, Nebraska, Nevada, North Dakota, South Carolina, Tennessee, Texas, West Virginia and Wyoming.
- In addition to these states where the child-only insurance market was completely killed, another 22 states reported that at least one insurance carrier exited the child-only market in response to PPACA. In Colorado, for example, at least six major carriers – Aetna, Humana, Cigna, Assurant/Time, United HealthOne and Anthem Blue Cross Blue Shield – exited the state's child-only insurance market.
- The August 2011 Senate report thus concluded that the market collapse prompted by PPACA "has caused significant hardships for parents and grandparents seeking to purchase health insurance coverage for their children."
- In response, the Department of Health and Human Services issued a document on Oct. 13, 2010, attempting to mitigate the effects of the "guaranteed issue" rule. The document in part permits insurance companies doing business in the individual market to "restrict enrollment of children under 19, whether in family or individual coverage, to specific open enrollment periods if allowed under state law." Carriers would still be required under federal law to accept any child regardless of preexisting conditions, but only during the open enrollment period. This meant an uninsured

child diagnosed with a serious illness could eventually, but not necessarily immediately, gain private insurance coverage.

- Upon taking office on Jan. 10, 2011, Insurance Commissioner John Doak and the Oklahoma Insurance Department began refining a set of rules intended to restart the child-only insurance market in the state. An initial rule change passed during the 2011 legislative session provided for just such an open enrollment period for child-only coverage – to be held in June and July each year – plus set several "qualifying events" as opportunities for families to sign up a child for insurance outside of the summer open enrollment period.
- Among the qualifying events were circumstances such as: involuntary loss of existing health insurance due to a parent's marriage or divorce, death, or job loss; the adoption of a child; loss of eligibility for the SoonerCare or SoonerStart programs; and the birth of a child.
- Approved via legislative process, this rule took effect on July 14 and a first-year open enrollment period was held from Sept. 1 through Oct. 31, but still no insurers returned to Oklahoma's child-only market. Carriers determined they could not participate if birth was a qualifying event, because the rule still left insurers facing the prospect of being presented a sick applicant (the new infant) for whom they must issue immediate coverage. From an actuarial standpoint, it is almost impossible to know where to set rates for existing policyholders to cover the year's anticipated claims when new policyholders are permitted to join the pool with immediate need for treatment at substantial cost. (It is crucial to note: Sick children, including infants, already have insurance options. Low-income families are eligible for SoonerCare, while being born with illness would make a new the baby eligible for the Oklahoma Temporary High Risk Pool, which requires the applicant to be diagnosed with a preexisting condition.)
- The OID's first attempt at reviving the child-only market being unsuccessful, Commissioner Doak and OID staff immediately undertook revisions to the original rule change. Commissioner Doak did not want the child-only market to remain void for another 12 months while waiting for the outcome of the 2012 legislative session. Insurance options needed to be extended as soon as possible, to as many Oklahoma children as possible.
- The most significant revision to Emergency Rule 365:10-1-15 was removal of birth as a qualifying event for writing new child-only coverage outside of the June-July open enrollment period. The emergency rule also set a special open enrollment period of Jan. 1-Feb. 29, 2012, with typical open enrollment still scheduled for June and July each year.
- Preliminary indications suggest at least a couple of health insurance companies are preparing to re-enter the Oklahoma child-only market in January for the first time in over a year. New policy filings have already been approved by OID for two of the state's largest health insurance carriers.

- The U.S. Senate report issued in August 2010 cited only three states as having made progress toward reintroducing child-only coverage to their state insurance markets during the first half of that year. Those states were Illinois, New Mexico and Utah. While a mandate for child-only coverage was passed in Utah, Illinois and New Mexico were successful by instituting rules similar to those written in Oklahoma. In fact, the final rule in Illinois is much stricter regarding qualifying events than Oklahoma's rule. Birth and even adoption were eliminated as qualifying events for enrollment. In effect, to sign up for child-only insurance outside of the annual open enrollment period in Illinois, a child must have involuntarily lost prior coverage (for instance, due to a parent's job loss) and not have any other alternative for purchasing comprehensive coverage.
- Commissioner Doak and the OID are acutely aware that the job in Oklahoma is not finished. Solutions still must be reached for our youngest Oklahomans, newborns through age 1, for whom private child-only policies will still likely remain unavailable. Again, infants already can be covered through purchasing a family policy or, if economically eligible, through SoonerCare.
- Among the possible options for Oklahoma infants might be expanding eligibility to healthy children in the federal or state high-risk pools, providing insurance for potential health problems during the first year of life. Children would then be eligible to acquire private insurance coverage during each June-July open enrollment period as provided in Emergency Rule 365:10-1-15.

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