

# Improving the Health Insurance Marketplace

## *Guaranteed issue and renewability*

The AMA supports the elimination of denials of health insurance coverage due to patients having pre-existing conditions by requiring health insurers to provide guaranteed issue and guaranteed renewability. Individuals, whether they are sick or healthy, should be able to access health insurance coverage. In order to ensure that such coverage is affordable, and the health insurance marketplace can thrive, it is important to require individuals to obtain health insurance coverage. Requiring individual responsibility helps prevent healthy individuals from foregoing coverage, which they might be tempted to do if they knew they could always buy insurance later should they become ill or injured.

The American Medical Association (AMA) supports the elimination of denials of health insurance coverage due to patients having pre-existing conditions, with safeguards in place to ensure a vibrant and sustainable health insurance marketplace. In order to require insurers to accept all applicants for health insurance coverage, including those who are sick, individuals need to be required to obtain health insurance. Requiring individual responsibility helps ensure a healthy and sustainable health insurance marketplace by creating a balance of healthy and sick individuals in the market.

### **A necessary partnership: Guaranteed issue and individual responsibility**

- Under guaranteed issue, insurers must accept all applicants for health insurance coverage. Unless guaranteed issue is combined with individual responsibility, healthy individuals will be allowed to forego coverage knowing that they can always buy insurance later should they become ill or injured.
- Death spirals result when guaranteed issue is required without an individual responsibility requirement to obtain coverage. In a death spiral, those who wait until they get sick before seeking coverage are able to obtain coverage because of guaranteed issue. Because they are sick, their care is costly, thus driving up premiums for everyone. As premiums become unaffordable, healthy people drop their coverage, the pool gets smaller and less healthy, until the health plan eventually fails.
- Guaranteed issue without individual responsibility can flood the market with individuals who have costly high health risks and price out those

individuals with low health risks. With fewer younger and healthier individuals choosing to become insured, there will be a smaller pool of healthier people to subsidize the costs of the older and sicker people in the pool of insured people. Premiums ultimately could become unaffordable to many.

### **Patient Protection and Affordable Care Act provisions**

The Patient Protection and Affordable Care Act (ACA), Public Law 111-148, contained several provisions addressing market regulation, including guaranteed issue, guaranteed renewability and individual responsibility. Effective six months from enactment, the ACA prohibited pre-existing condition exclusions for children in all plans. Pre-existing condition exclusions are now prohibited for adults. The legislation also requires guaranteed issue and guaranteed renewability. Guaranteed renewability ensures patients are able to renew their coverage regardless of their health. The ACA requires guaranteed issue and renewability in the context of a requirement that individuals have minimum acceptable coverage or pay a tax penalty.

### **Strategies to foster healthy markets**

Overall, the AMA supports health insurance market reforms that expand choice of affordable coverage and eliminate denials because of pre-existing conditions or arbitrary caps. The AMA believes that health insurance coverage of pre-existing conditions can be assured with guaranteed issue and guaranteed renewability. AMA support for guaranteed issue is contingent upon an individual responsibility requirement being in place (see "Individual responsibility" in this series).

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