

# An overview of the ACA, MNsure and individual health insurance

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November 1 begins the fourth year of the open enrollment period for health insurance via the Affordable Care Act (ACA). As the enrollment period ends on January 31, 2017, now is a good time to get started.

## Background

Beginning around 1980, sentiment for alternative health insurance options began building across the country. Health plans varied in content, people could be denied coverage due to pre-existing health conditions, and insurance premiums continued to rise. Gradually, and because of public sentiment, politicians began seeking options on a national level. President Obama signed The Patient Protection and Affordable Care Act (commonly called the Affordable Care Act) on March 23, 2010. It has been – and remains – a contentious issue for many.

To facilitate the insurance options available under the ACA, health exchanges were established in each state. Each state had the option to create their own exchange, establish a federal-state exchange or simply use the federal exchange. Minnesota elected to create their own exchange and it is officially named MNsure. It is not an insurance company. People commonly refer to MNsure as “the exchange.” Either reference is acceptable.

The key thing to remember is that MNsure exists to implement the provisions of the ACA. This includes sole authority to utilize any available premium subsidies allowed by the ACA. At all times, consumers have the right to compare plans and prices, both inside and outside the exchange. A qualified agent or broker will be able to assist with plans not offered through the exchange. As a starting point, I suggest clarifying if you qualify for the financial subsidies provided by the ACA through MNsure. If so, see if there is a plan that meets your needs. If you don't qualify for a subsidy, want to explore other plans, or just want a second opinion, contact a qualified insurance agent or broker.

A founding principle in insurance is the law of large numbers. The gist of this principle infers that the larger the number of similar items (in this case, people) in a group, the greater the probability of determining end results. Data obtained regarding members in the group, premiums and expenses help determine future policy terms and premiums.

The law of large numbers is a major reason for the requirement that every qualifying person have health insurance. In theory, healthier members of the group will help offset the costs associated with the less healthy.

Finally, the term “Individual” health insurance refers to health insurance for a person or a family that they secure for themselves from an insurance provider. The other common term is “group” insurance. Group insurance refers to health insurance – and perhaps other insurance like dental or eye – that an employer may provide to

their employees and dependents. Not all businesses are required to secure group insurance for their employees.

## Minimum coverage provision guaranteed by the Affordable Care Act

The ACA mandates the following minimum coverage provisions of any individual health plan regardless if it is secured through the exchange, through an agent or broker, or directly from an insurance company. These minimums apply to policies secured via the exchange or outside the exchange via a licensed agent or broker:

- Pediatric services
- Preventative and wellness services
- Lab tests
- Rehabilitative services
- Prescription drugs
- Mental health and substance abuse resources
- Maternity and newborn care
- Hospitalization
- Emergency care
- Outpatient care

## Options in Minnesota regarding individual health insurance

Listed below are four of the major options people may be considering in Minnesota, along with some general comments. They are not listed in any special order:

- Explore coverage under a group plan provided by your employer or the employer of someone in your household. Generally, group plans provide broad coverage and costs less than what you may be able to afford on your own.

- Compare your options at MNsure. MNsure is the exchange Minnesota established as a result of the ACA. It is the only option to secure financial assistance (premium reduction) for health insurance. Financial assistance depends on the annual family income for the number of people in the household. Plans without the financial subsidies may also be available.

- Contact a qualified insurance agent or broker not associated with MNsure. They won't be able to offer the subsidies available at the exchange, but they may have plans not offered by MNsure.

- Decide not to secure an individual health plan. There are many reasons for making this decision. A major reason for deciding on this option is the overall cost of health insurance. Under the ACA, you may be subject to a fee for not having health insurance. The fee has some maximum penalty limits, but starts at either the higher of 2.5 percent of your household income or \$695 per adult and \$347.50 for each child under 18. Fees will be deducted from any future tax refunds.

After 2016, the tax penalty increases annually based on the cost-of-living adjustment (COLA). Some exceptions apply regarding a fee for not having individual health insurance. Be sure to clarify them to avoid any penalties.

## Helpful information to know before applying for coverage:

- Last year's tax information (individual

- or family)
- Projected income for next year (individual or family)
- Age and tobacco usage for all applicants
- Social Security numbers for all applicants
- County name and zip code where you reside
- Current policy number and carrier name

## Recent developments

Last week, President Obama suggested that the ACA is undergoing some “growing pains” and suggested the next Congress consider larger tax credits to encourage young adults to secure coverage (see law of large numbers mentioned earlier in this article).

A day earlier, Governor Dayton stated he was open to calling a special session of the legislature to address the “present emergency” in individual health care insurance. Last month, the Minnesota Department of Commerce approved rate increases of 50 – 67 percent for insurance plans written in the exchange. The rate increase preceded news that some insurance companies were either withdrawing insurance plans from the exchange or initiating enrollment caps to limit the number of policies they will write. Due to these enrollment caps and past service issues at the exchange, one should start exploring their options early...NOW!

## Resources and definitions

- **Pre-existing condition.** A medical condition existing prior to the first date of a new insurance policy. The ACA prohibits pre-existing conditions from impacting the availability or cost of your health insurance.

- **Children.** Children are now allowed to stay on a parent's plan until age 26.

- **Subsidies.** Financial assistance included in the ACA legislation to assist with the affordability of premiums. These subsidies are not loans and do not need to be repaid. They are only available through health plans offered through the state insurance exchange and available to individuals or households with income levels between 133 percent and 400 percent of the federal poverty line.

- **Small employer.** Defined as any employer with less than 50 employees. Small employers may not be required to provide group health insurance.

- **Navigator.** Person trained by and paid by the government to assist people enroll in the plans offered only by the state exchange.

- **Certified application counselor (CAC).** Work of a CAC is similar to a navigator but may be paid differently. They are often found at hospitals, colleges, faith-based or non-profit organizations. Again, they are limited to plans available in the state exchange.

- **Qualified agents and brokers.** The historic way of securing coverage. Agents and brokers can explore options available both within the exchange and outside the exchange.

More information is available online at [healthinsurance.org](http://healthinsurance.org), [healthcare.gov](http://healthcare.gov) and [MNsure.org](http://MNsure.org) or call MNsure at 1-855-366-7873.

## Summary

The world of health insurance continues to change at a rapid pace. Seek qualified resources to assist you with your decision and start early. The upcoming election will impact the future of the affordable care act.

On a personal note, decide carefully before you decide not to secure health insurance. Until this past June, I was carrying canoes and full backpacks. In late July I was diagnosed with vertigo (middle ear infection) that ultimately turned into an emergency quadruple bypass with a pacemaker and – later – surgery for a blocked carotid artery.

Risk is defined as exposing oneself to the possible loss of something of value. Insurance is intended to transfer the cost of that risk to another party (insurance company) in exchange for a premium. As the saying goes, “One does not need insurance until they need it.” Choose thoughtfully.

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