THE COST OF CHANGE

NC

Health care reform is on many of our minds. After all, the Affordable Care Act (ACA), will be in full swing by January 2014. But many people still have questions about what the ACA is and how it will affect them.

We're going to walk you through the ACA and help you understand how it could affect your premiums, your health insurance coverage and costs. And we'll discuss your options for finding a plan that's right for you or your small business.

THE ACA: WHAT IT IS, AND WHAT IT MEANS FOR YOU.

Let's start with why the ACA came about: to cover more people and add more health care benefits. That's a good goal. But it comes at a cost. Here are four of the law's most sweeping changes:

1

Guaranteed Coverage

First, everyone – no matter his or her current health condition – is guaranteed access to health insurance. In fact, everyone is *required* to get insurance – or pay a penalty.

But as penalties go, the ACA's are pretty minimal. It will be cheaper for many relatively healthy people to pay the penalty rather than pay for basic health insurance. In fact, the penalty may be as low as $95 in 2014.[1] And for the ACA to work as it was intended, a large pool of healthy people must purchase insurance to balance costs for everyone. That's because people with health issues, on average, have far more expensive medical claims, increasing costs that must be spread to everyone.

2

Essential Benefits

The next big change applies to benefits. All insurance policies must include 10 categories of essential health benefits. They are:

- Maternity care
- Rehabilitative and habilitative services
- Pediatric vision and dental coverage
- Mental and behavioral health
- Preventive and wellness services
- Hospitalization
- Laboratory services
- Prescription drugs
- Ambulatory services
- Emergency services

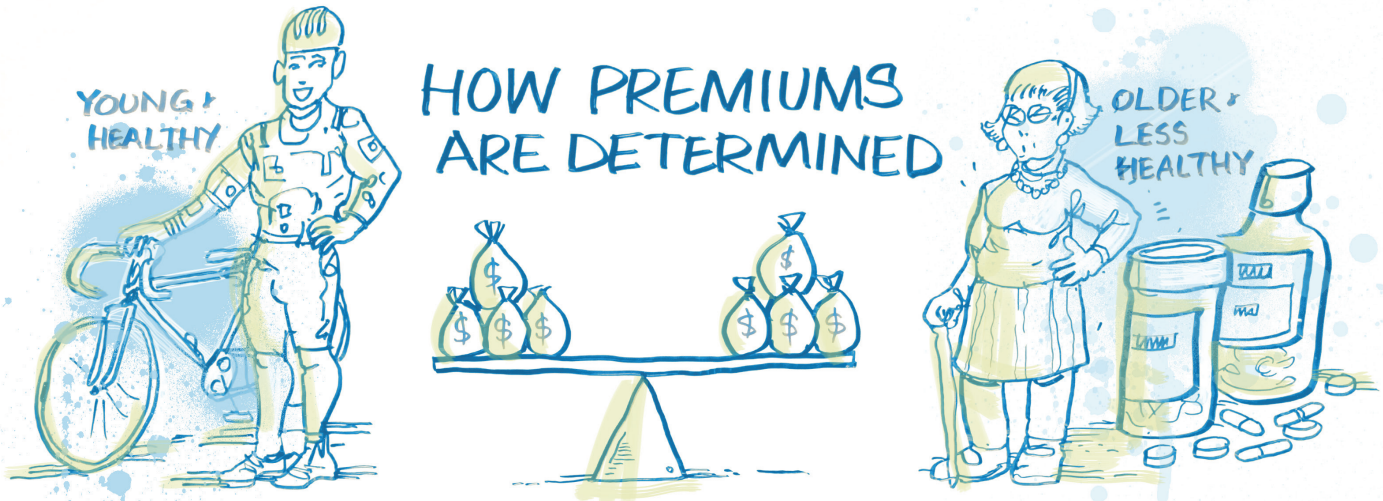
These requirements are different from the benefits many people purchase today. For example, people can currently choose not to pay for maternity coverage or other types of coverage. As a result of the ACA's 10 essential benefits requirement, millions of people will get more coverage than they now have[2] – or in many cases, need. For example, a 64-year-old will pay for pediatric dental coverage. And a 4-year-old, for maternity coverage.

1. ACA non-coverage penalty: In 2014, the penalty is the greater of $95 or 1% of income annually. The penalty rises to the greater of $695 or 2.5% of income in 2016.
2. America's Health Insurance Plans, 2012. Accessed March 2013.

3

Change in the Way Premiums are Determined

The third major change limits how much premiums can vary based on a person's age, gender or health. To understand how this affects premiums, it helps to know how premiums are currently determined. Today, premiums depend largely on age, gender and health status. That means people who have more medical claims, such as women and less healthy individuals, pay higher premiums than younger, healthier people. Soon, however, health status will not be a factor. The result is that younger, healthy people will pay more to subsidize coverage for older, less healthy people. This may cause healthy people to opt for the penalty rather than purchase health insurance coverage, which would drive rates even higher.



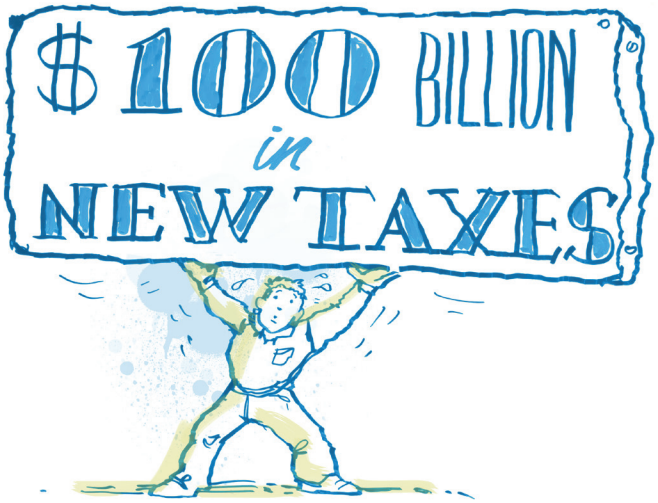
4

Taxes and Fees

The fourth major change has to do with taxes. The ACA includes eight new taxes and fees. The health insurer tax alone will add $100 billion over 10 years.[3] These costs will be charged to insurance companies and passed on to customers to pay the additional expected expenses of implementing the ACA.

There will be fees as well, including:

- A fee to fund research on the effectiveness of certain procedures, drugs and surgeries[4]
- A fee to stabilize premiums in the individual market[5]



3. America's Health Insurance Plans, 2012. Accessed March 2013.
4. Agency for Healthcare Research and Quality, 2013. Accessed April 2013.
5. Reinsurance, Risk Corridors, and Risk Adjustment Final Rule, Centers for Medicare & Medicaid Services, 2012. Accessed April 2013.

HOW WILL MY PREMIUMS BE AFFECTED?

Let's get to the question on everyone's minds: What does this mean for me? The people most affected financially by the ACA are those who purchase individual policies or get their insurance through a small-business employer.

Of those affected, some customers will pay less than they do now, but many will pay more. Federal subsidies will offset the rates for some people – but many will be eligible for only a partial subsidy.

Here's how health insurance premiums will be impacted for different people choosing a mid-level plan. The chart below compares what they now pay in health insurance premiums and their estimated monthly payments once the ACA and subsidies are factored in.

This gives you a general idea of how the ACA will affect premiums. But how will Blue Cross and Blue Shield of North Carolina's individual and small-business customers be affected specifically?

Because of the impacts of the ACA, about half of our customers will see their premiums increase by 50 percent or more *before federal subsidies*. We expect about half of our customers will qualify for subsidies, which will help offset their costs – though the amount of those subsidies can vary greatly. Of course, subsidies don't actually reduce the cost of coverage. They simply shift it to someone else. The federal government pays for the subsidies and the costs are shifted to taxpayers.[6]

HOW THE ACA AFFECTS US

	Jim, 21 years old	Judy, 64 years old	The Garcia Family
(Before Jan. 1, 2014)[7]			
Personal information	Healthy	Has some health conditions	Has two children One family member may have a minor health condition
Annual household income	$23,000	$43,000	$90,000
Current monthly premium	$100	$1,130	$770
(Beginning Jan. 1, 2014)[7]			
ACA impact	+$170	-$325	+$300
Subsidy	-$120	-$390	-$200
Impact after subsidy	+$50	-$715	+$100

6 Average premium increases quoted: Stated prices reflect estimated impacts due to the Affordable Care Act and do not reflect annual increases due to medical cost trend or members aging. Final premium rates for 2014 are subject to NCDOI approval and final plan designs are subject to Federal HHS approval. Plan design reflected is not guaranteed to be offered as an Exchange plan.

7 Prices are for illustration purposes only and do not reflect actual customer premiums.

HOW DO I CHOOSE THE PLAN THAT'S RIGHT FOR ME?

There are three ways to go about purchasing insurance for yourself or your small business: by going through the health care exchange, contacting an insurer or speaking with a broker.

Health Insurance Exchanges

You've probably heard about exchanges. The exchange is an online marketplace where various private insurance companies will offer their plans.

To simplify the options that will be available on the exchange, and to give a basis for comparison, all plans will be classified according to four levels: bronze, silver, gold or platinum. Bronze plans will provide the least generous coverage, and platinum plans will provide the most generous coverage.

The exchange will enable people to:

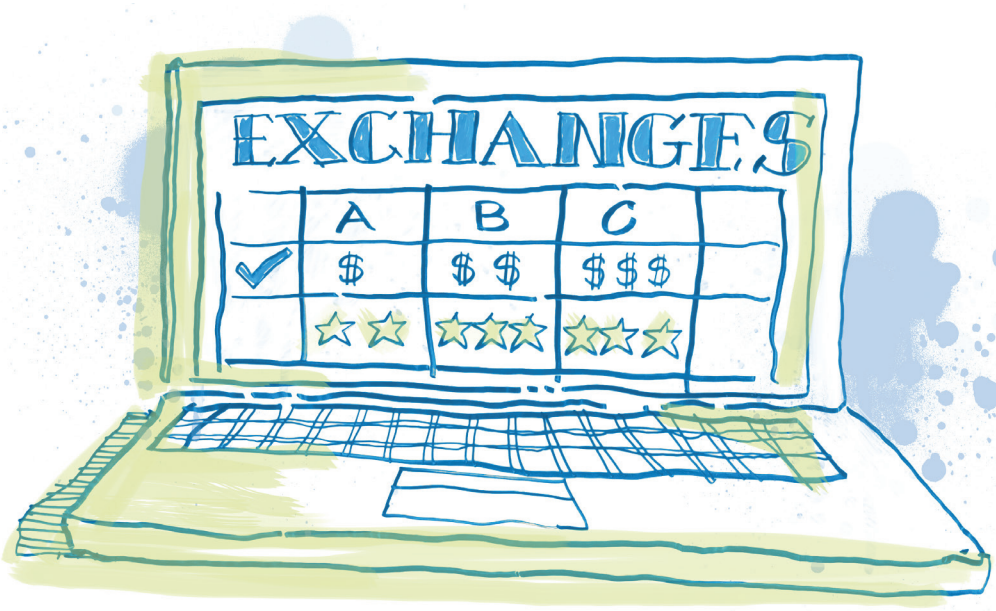
- Review plans, compare prices and enroll all at once
- Find out if they are eligible for subsidies

It's important to know that the exchange is the *only* place to apply for subsidies. It will provide step-by-step instructions to guide you through the process.

Open enrollment on the exchange – the time period in which you will be able to enroll for your 2014 health insurance plan – begins Oct. 1, 2013.

As mentioned earlier, you can also purchase insurance by contacting health insurance companies directly. Or, by speaking with an insurance broker.

No doubt, there is a lot to take in, but we're dedicated to helping you find an insurance plan that meets your needs and to keeping premiums as affordable as possible. To find out more, visit NCHealthReform.com.



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