The Patients' Bill of Rights

Ending annual and lifetime limits

The Patient Protection and Affordable Care Act (Affordable Care Act) offers you several new protections that are known as the "Patients' Bill of Rights." This fact sheet explains how the Patients' Bill of Rights will eliminate annual and lifetime limits, protecting you and your family against high out-of-pocket health care costs.

No More Annual or Lifetime Limits

Under the Affordable Care Act, insurance companies will no longer be allowed to set limits on the dollar amount of health benefits that they will cover in a year or over the course of a person's lifetime. This means that you won't run out of coverage if you develop a health problem that is costly to treat.

The protection against annual and lifetime limits will take effect for you on or after September 23, 2010, depending on when your health plan year starts again. If you have job-based coverage, your plan year will begin on the date that the policy is renewed or the date that your employer buys a new policy. If you've purchased a policy on your own in the individual market, the policy year may begin on the anniversary date of when you bought the policy, the date that the plan begins calculating your annual expenses to meet a deductible, or the beginning of the calendar year.[1] The elimination of annual limits will happen gradually, until they are completely prohibited in 2014.

These protections apply to "essential benefits." Essential benefits include the following health care services: ambulatory care, such as doctor and specialist visits; emergency services; hospitalization; preventive and wellness services and chronic disease management; laboratory services; prescription drugs; maternity and newborn care; pediatric services; mental health and substance use disorder services, and rehabilitative and habilitative services and devices.

Annual and lifetime limits can still be applied to "nonessential benefits," both now and in 2014. For example, your plan could still limit how much it will cover for dental care each year or over your lifetime, because dental care for adults is considered a nonessential benefit.[2]

Elimination of Lifetime Limits

Starting on or after September 23, 2010, insurers will no longer be allowed to stop paying for your care because you have reached a lifetime spending limit. This provision will protect you if you have insurance through your job, or if you purchase a plan directly from an insurance company for yourself or your family.

If you've already reached a lifetime limit in your health plan and your health coverage ended because of it, you may be able to reenroll when your plan year starts again on or after September 23, 2010. This option is available if you had coverage through your job and you still work for the same employer (and the employer still uses that health plan), or if your family is still enrolled in the plan you had before (if your family purchased it directly from an insurer). The insurance company or your employer is required to tell you on or before the first day of the new plan year that there are no longer lifetime limits on your plan and that you are eligible for coverage. The insurance company must give you at least 30 days to reenroll.

The example below helps explain this new provision:

Sally Smith was previously enrolled in HealthStar Insurance through her employer. Before the new law was passed, HealthStar Insurance had a lifetime limit of $1 million. One year ago, Sally was diagnosed with cancer that was at an advanced stage. She needed chemotherapy and invasive surgery, as well as extensive follow-up treatments. In less than a year, Sally reached her $1 million lifetime limit, and her insurance stopped covering her medical bills. Sally had to turn to friends and family to help her pay for the remainder of her cancer care.

Under the new law, HealthStar Insurance will be required to remove its lifetime coverage limit. The HealthStar Insurance new plan year begins on January 1, 2011. By that date, HealthStar Insurance must notify Sally that she can reenroll in her employer's plan, and it must give her at least 30 days to do so.

Gradual Elimination of Annual Limits

By 2014, insurers will not be allowed to place annual dollar limits on the amount of health benefits that any enrollee can use. Between 2010 and 2014, annual limits will be gradually eliminated. The dollar amount of annual limits will be regulated starting on or after September 23, 2010, as follows:

- For plan years beginning on or after September 23, 2010, but before September 23, 2011, plans with annual limits will be required to have limits of no less than $750,000 per enrollee for essential benefits.
- For plan years beginning on or after September 23, 2011, but before September 23, 2012, the annual limit amount rises to $1.25 million.
- For plan years beginning on or after September 23, 2012, but before January 1, 2014, the annual limit amount rises to $2 million.

These annual limit amounts apply on an individual basis, not on a family basis. This means that, for a family of four, if your child reaches the annual limit, the essential medical care that the other three members of your family get will still be covered by your health plan.

This protection will apply to everyone who gets coverage through their job, and to people who purchase a new individual or family plan after March 23, 2010.[3] This protection may not apply to those who stay in individual or family insurance plans that were purchased before March 23, 2010, unless that plan has made major changes in its coverage or substantially increased cost-sharing or deductibles. (For more information, see the Families USA fact sheet, *Grandfathered Plans under the Patient Protection and Affordable Care Act*, available online at http://www.familiesusa.org/assets/pdfs/health-reform/Grandfathered-Plans.pdf.)

Waiver Option for Insurance Plans with Annual Limits

Some health plans now have annual limits that are far below $750,000, and they claim that they would have to substantially increase their premiums or decrease their benefits significantly in order to comply with the new annual limit requirements. In these cases, health plans can apply to the Secretary of Health and Human Services for a "waiver" from these requirements. Group health plans that begin before January 1, 2014, that have annual limits below the amounts listed on page 2 may be able to get a waiver if they would have to significantly decrease benefits or raise premiums to comply with the new protections.

If your plan still has an annual limit and you want to know whether it has been given a waiver and is allowed to keep that limit, or if you have other questions about your rights, see the following resources:

- U.S. Department of Labor website at www.dol.gov/ebsa
- U.S. Department of Labor's benefit advisors at 1-866-444-EBSA (3272
- The government's new health care website at www.healthcare.gov
- Your state insurance department

Conclusion

The elimination of lifetime and annual limits under the Affordable Care Act is a crucial step in ensuring that health coverage will work for people who need it. As a health care consumer, you will no longer have to worry that a serious illness or accident could leave you paying for health care on your own because your coverage has run out.

---

[1] These new protections will go into effect at different times for different people. This is because plan years begin at different times. For example, if your plan year begins in October, your lifetime limit will be eliminated in October 2010. If your plan year begins in January, your lifetime limit will be eliminated in January 2011.

[2] Plans can't count dollars spent on nonessential benefits toward the annual limits that are permitted until 2014. For example, the cost of adult dental services can't be counted toward a $750,000 annual limit on essential benefits that your plan may impose for the coming year.

[3] Health flexible spending accounts (FSAs) are exempt from this new provision.

Families USA
1201 New York Avenue NW, Suite 1100 ■ Washington, DC 20005
Phone: 202-628-3030 ■ www.familiesusa.org

September 2010