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VERMONT DEPARTMENT OF FINANCIAL REGULATION

DIVISION OF INSURANCE

INSURANCE BULLETIN 179

IMPORTANT NOTICE REGARDING MID-TERM REPLACEMENT OF HEALTH INSURANCE
COVERAGE IN THE NONGROUP AND SMALL GROUP MARKETPLACES

The purpose of this bulletin is to notify Insurers and Producers who sell in the nongroup and small group health insurance marketplaces that the Department will be scrutinizing any sales activity that needlessly results in consumers being subjected to multiple out-of-pocket expenditures, including co-payments, coinsurance, deductibles or other cost sharing mechanisms. At issue is the effect on consumers of a mid-term policy replacement made prior to January 1, 2014 (the effective date of the Vermont Health Exchange).

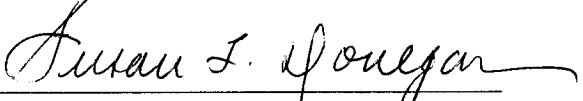
In general, replacement of existing health coverage on a mid-term basis will subject covered persons to additional out-of-pocket health costs which would not have been incurred if the original policy had been kept in force. The replacement of a policy on a mid-term basis in 2013 will have this adverse effect on covered persons.

Insurers and Producers should note that any proposed mid-term policy replacement must also take into consideration the future implementation of the Vermont Health Exchange. As of January 1, 2014, all policies must be purchased through Vermont Health Connect (the name of Vermont's Health Exchange). Under Federal law, all policies issued via Vermont Health Connect in 2014 must have a common calendar year anniversary date of January 1, 2015.

Since most policies currently renew on a calendar year basis, changing a policy with a January 1, 2014 renewal date to a policy with a non-calendar year renewal date will have the effect of creating a short policy year in 2014. This will subject covered persons to yet another set of coinsurance limits and deductibles and potentially greater out-of-pocket expenses.



The Department will consider a mid-term replacement sale in the nongroup and small group markets to be the sale of an unsuitable policy and a violation of the Unfair Trade Practices Act, unless the Insurer and Producer can document that the policyholder was informed of the potential adverse effects of a mid-term policy change due to additional coinsurance limits, deductibles and other out-of-pocket expenditures, and can provide a sound rationale for any mid-term policy replacement, notwithstanding the potential cost of additional out-of-pocket expenditures.


Susan L. Donegan, Commissioner

Effective Date: Aug. 28, 2013