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Health Care Reform: Prohibition on Canceling Coverage

The recently passed Patient Protection and Affordable Care Act (PPACA) prohibits group health plans and health insurance issuers who offer group or individual coverage from canceling, or rescinding, coverage of an enrolled individual once the enrollee is covered except in cases of intentional misrepresentation or fraud.

Details of the Provision

To make health insurance coverage available for more individuals across the United States, PPACA prohibits rescinding health insurance coverage once an enrollee is covered under a group or individual health plan. This provision applies to new and grandfathered plans. In other words, once an individual is covered under a group or individual plan, their coverage may not be revoked, excluding the exceptions listed below.

Exceptions

Group health plans and health insurance issuers may only rescind coverage in the event that the covered individual performed an act or practice of fraud, or has made an intentional misrepresentation of any facts as prohibited under the terms of the coverage or plan.

For example, loaning your insurance card to someone who is not entitled to use it constitutes fraud.

An example of misrepresentation would be when an individual with an incurable disease indicates that he or she has no major chronic illnesses in order to obtain a lower premium. In the event of such cases of misrepresentation or fraud, the plan or coverage may not be cancelled without prior notice to the enrolled individual.

Also, coverage may only be cancelled as permitted under the general exceptions to guaranteed renewability of individual coverage and under the rules for network plans.

Effective Date

The provision prohibiting the rescission of coverage is effective for plan years beginning on or after Sept. 23, 2010, six months after the date of enactment of the health care reform law.

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