



**Office of the Director
Arizona Department of Insurance**

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**Douglas A. Ducey, Governor
Germaine L. Marks, Director**

To: All Health Insurers

From: Germaine L. Marks 
Director

Date: March 27, 2015

Re: Determination for 2016 Transition to Affordable Care Act-Compliant Policies

The Department has considered all relevant factors in making its determination that insurers that renewed existing plans, on or before December 31, 2014, that otherwise would have been modified or canceled under the Affordable Care Act (ACA), may renew those transitional policies in the individual and small group markets through October 1, 2016. The transitional policies may not extend to policy years beginning after October 1, 2016, but by renewing the policies on or before October 1, 2016, carriers are extending coverage through September 30, 2017. This constitutes a one-year extension of the Department's May 8, 2014 determination regarding transition policies and is consistent with the Center for Consumer Information and Insurance Oversight's (CCIIO's) March 5, 2014 bulletin.

Further, this determination applies to policies sold to large businesses of 51-100 employees currently in the large group market but that, for policy years beginning on or after January 1, 2016, will be redefined as small businesses purchasing insurance in the small group market.

The Department will not compel any carrier to renew transition policies if it chooses not to do so.

Background

In November 2013, CCCIO announced a policy that permitted health insurance issuers to continue to renew plans for individuals and small businesses in place as of October 1, 2013, that otherwise would have been modified or canceled because the plans were not ACA-compliant. CCIIO left the ultimate decision whether or not to implement this policy to state insurance regulators and insurance carriers. At that time, the Department determined that it would not permit carriers to issue plans that did not comply with the ACA; however, the Department concluded that Arizona law did not preclude carriers from offering early renewal (on or before December 31, 2013) of the non-compliant policies. CCIIO's November 2013 letter stated it would consider the impact of its initial decision in assessing whether to extend the transition policies beyond the initial timeframe.

On March 5, 2014, CCIIO issued a bulletin wherein it exercised its option for a two-year extension of the previous decision allowing carriers to continue to renew individual and small group plans that were not ACA-compliant. Again, CCIIO left to individual state insurance regulators the decision whether or not to adopt this extension. At that time, the Department carefully considered a variety of factors, as well as weighed the impact on policyholders and carriers of our initial decision to allow for early renewal of the specified policies. On May 8, 2014, the Department issued its determination that, given the number of policyholders who chose to renew those policies, carriers could renew the transition policies through

policy years beginning on or before October 1, 2015. The decision is consistent with Arizona law when read in conjunction with CCIIO's letter. The Department, at that time, opted for only a **one-year extension**.

The Department now has the responsibility to determine whether it will permit carriers to renew the transition policies for an additional year. As we said last year, ensuring that consumers have choice in Arizona's insurance market is of the utmost importance and deterring carriers from providing that choice is inconsistent with the Department's mission. Therefore, the Department is extending the option for carriers to renew individual and small group transition policies through October 1, 2016. This determination also applies to policies sold to large businesses of 51-100 employees currently in the large group market but that, for policy years beginning on or after January 1, 2016, will be redefined as small businesses purchasing insurance in the small group market.

CCIIO's March 2014 announcement included the substance of notices that carriers must provide to individuals and small businesses. Carriers who choose to provide policyholders an option to continue the existing coverage must use the notice attached to CCIIO's letter. All of the affected policies that have rate increases subject to review under the PHS Act §2794 should utilize the rules and processes for submission of those rates to the Department and CMS that were in place prior to April 1, 2013, to assure compliance with PHS Act §2794 requirements.