



Bulletin

Health Care Reform Explained

# The New Health Care Law and Annual and Lifetime Coverage Limits

Your questions answered

by: Susan Jaffe | from: [AARP Bulletin](#) | August 23, 2010



— Red James/Getty Images

## **Q. Does the new health care reform law eliminate annual and lifetime limits on health care coverage in insurance policies?**

Yes. On Sept. 23, lifetime limits are effectively banned for all plans that begin or are renewed after that date. Insurance companies can no longer cut off policy holders when their [medical expenses](#) reach a lifetime limit. Annual limits on coverage will be phased out over the next few years, beginning this year.

## **The New Health Care Law and You**

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Currently, more than 100 million Americans have insurance that stops when medical claims exceed their policy's lifetime limit. The new rule especially will help people with serious diseases that require expensive treatment. Ten percent of [cancer](#) patients surveyed recently said they hit their lifetime limit and their insurers would not pay for further medical care. Federal health officials mention the example of an Indiana teenager battling [leukemia](#) who reached the \$1 million lifetime limit on his family's policy in a couple of months. To pay for his bone marrow transplant, his desperate parents appealed to the public for donations and raised more than \$500,000.

Explained at [HCRquestions@aarp.org](mailto:HCRquestions@aarp.org). (We regret that due to the volume of e-mails received we are unable to respond to all inquiries.)

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The law phases out these annual limits over a period of three years: in the first year, insurers must cover medical expenses up to at least \$750,000. That coverage rises to \$1.45 million after Sept. 23, 2011 and increases to \$2 million after Sept. 23, 2012. Limits will be completely banned starting Jan. 1, 2014.

The ban on annual and lifetime limits applies to employer-sponsored and individual plans, but only for the cost of what the law calls "essential health benefits." The law provides examples of these benefits, but the specifics will be spelled out in regulations to be issued by the U. S. Department of Health and Human Services. Patient advocacy groups are hoping that the government will decide that a wide range of health care services must be covered.

There are other exceptions to the ban. It doesn't apply to so-called "grandfathered" plans, which are insurance policies in existence when the health care reform bill was signed into law March 23, 2010 that do not significantly raise premiums or reduce benefits.

- Are [Medicare](#) supplemental and Medicare Advantage plans also prohibited from limiting coverage?

Yes, for the most part, but not because of the health care reform law's ban. Medicare supplemental insurance (medigap) and [Medicare Advantage plans](#) are regulated by earlier laws that already prohibit annual and lifetime limits. However, medigap policies sold before 1992 can impose limits.

Medicare Advantage plans have no lifetime limits because they have to offer coverage that is at least as good as traditional Medicare, says Vicki Gottlich, senior policy attorney at the Center for Medicare Advocacy in Washington, D.C. "There has never been a cap on the total amount of benefits for which Medicare will pay," she explains. So Medicare Advantage plans have to follow suit.

*Susan Jaffe of Washington, D.C., covers health and aging issues and writes the Bulletin's weekly column, [Health Care Reform Explained: Your Questions Answered](#).*