



## Health Care Reform Update

June 23, 2010

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As you know, the Patient Protection and Affordable Care Act (PPACA) was signed into law on March 23, 2010. Since that time SIHO has been sending periodic e-news regarding the provisions of the bill. In order to provide structure, the following timeline will be included with each newsletter; In addition, each newsletter will provide clear and pertinent information about a selected few topics from this timeline **and will be highlighted in red.**

### Immediately

- **Grandfather Status**
- Small Business Health Insurance Tax Credit
- **Reinsurance Program for Early Retiree Health Coverage (June 1, 2010)**
- High-Risk Pool Coverage (July 1, 2010)
- Health Insurance Informational Portals (July 1, 2010)

### Plan Years Starting on or after September 23, 2010

- Dependent Coverage through Age 26
- No Pre-Existing Condition Exclusions for Children
- **No Lifetime Benefit Limits and "Restricted" Annual Limits**
- No Rescissions (except Fraud)
- All Emergency Services Covered In-Network\*
- No Cost Sharing for Specific Preventive Services\*

Note: \*Indicates provision does not immediately apply to Grandfathered Group Health Plans.

### 2011-2013

- Increased tax on HSA and MSA Withdrawals not used for Medical Expenses
- Public Long-Term Care Program
- Minimum Loss Ratio (MLR) Requirements
- Comparative Effectiveness Studies Begin
- All Group Plans Must Report Benefits to HHS
- Additional Medicare Tax Levied onto High Income Individuals

### 2014 and Beyond

- Exchanges
- Annual Taxes on Private Health Insurers
- Monetary Penalties for any Individual Failing to Purchase Coverage
- Expanded Medicaid and Tax Credits for Low Income Individuals
- Employer Responsibility Requirements and Free Choice Vouchers
- Guarantee Issue and Guarantee Renewal
- Pre-Existing Exclusions, Annual Limits, and Lifetime Limits Eliminated
- Restricted Underwriting Factors
- Wellness Program Changes
- Excise Tax (2018)

## Grandfather Status

The Interim Final Regulations regarding Grandfather Status, in which a health plan in existence prior to March 23, 2010 may be exempt for some aspects of PPACA regulations, have been released. If an employer or employee organization enters into a new policy, certificate, or contract of insurance after March 23, 2010, then that policy, certificate, or contract of insurance is not a grandfathered health plan. Additionally, plans will lose grandfathered status by making significant changes that reduce benefits or increase costs to consumers.

- Cannot significantly cut or reduce benefits
- Cannot significantly raise co-insurance charges, co-payment charges, nor deductibles
- Cannot significantly lower employer contributions
- Cannot add or tighten an annual benefit limit
- Cannot change insurance companies

However, grandfathered health plans will be able to make some routine changes to plans and still maintain Grandfathered status. Routine changes include:

- Cost adjustments to keep pace with medical inflation.
- Adding new benefits
- Making modest adjustments to existing benefits
- Voluntarily adopting new consumer protections under the new law
- Making changes to comply with State or other Federal laws

Those plans which maintain Grandfathered Status will be *exempt* from the following provisions of health care reform:

- Preventative services covered at 100%
- Discrimination in favor of highly compensated individuals is prohibited
- Preauthorization or referral for OB/GYN, Pediatrician and ER Services prohibited
- Required coverage during clinical trials
- Mandatory internal and external appeals process

In addition, plans subject to collective bargaining agreements will be able to maintain their grandfathered status until such agreement terminates. For further information and SIHO's complete breakdown of the Grandfather Status regulations, please visit our site <http://ht.ly/21lKa>.

## Reinsurance Program for Early Retiree Health Coverage (June 1, 2010)

SIHO has released our proposal for the application process required for plans wishing to participate in the Early Retiree Reinsurance Program (ERRP) available only to plans which began offering early retiree benefits before March 23, 2010. All plans wishing to participate must have an application approved by the Department of Health and Human Services (HHS) before submitting any claims for reimbursement. At the time of writing, (HHS) has only released the draft application. According to PPACA law, the program is supposed to commence no later than 90 days after enactment or June 22, 2010. Additionally, the Office of Consumer Information and Insurance Oversight (OCIO), a division of HHS, has stated that applications will begin being accepted *no later* than June 30, 2010. It is therefore anticipated that the final application will be released very soon.

For any eligible plan wishing to participate, SIHO will provide the following required application functions:

- Plan Sponsor Agreement
- Summary of SIHO's Fraud Detection Service
- Summary of SIHO's Medical Management Programs Providing Potential Savings of High-Cost Chronic Conditions
- Projected Claim Submission for the First Two Plan Years
- Employer's Intended use of Received Funds within the Restrictions Established by the Law

## **No Lifetime Benefit Limits and “Restricted” Annual Limits**

The Interim Final Regulations regarding lifetime and annual limits has just been released this week. SIHO will provide a complete breakdown of the full impact of these provisions in the near future. Briefly, we wanted to share the plan established to phase-in the annual limits over the next three years leading up to 2014. Annual limits on the dollar value of benefits that are essential health benefits may not be less than the following amounts for plan years beginning before January 1, 2014:

**\$750,000** - For plan years beginning on or after September 23, 2010 but before September 23, 2011

**\$1.25 million** - For plan years beginning on or after September 23, 2011 but before September 23, 2012

**\$2 million** - For plan years beginning on or after September 23, 2012 but before January 1, 2014

Additionally, plans may be eligible for a waiver program from the annual limits if the limits would result in a significant decrease in access to benefits or a significant increase in premiums. Further information relating the waiver program has yet to be released. The prohibition on annual limits, including the special rules on restricted annual limits for plan years beginning before January 1, 2014, do not apply to grandfathered health plans for individual health insurance coverage.

Please be aware that the regulations surrounding this legislation have not yet been finalized. These regulations usually take several months to be drafted and accepted as the intent of this legislation is understood and clarified.

You are receiving this message as courtesy of the SIHO Insurance Services Communications Team. If you have questions or comments specific to newsletter distribution, please contact Chris Asher ([Chris.Asher@SIHO.org](mailto:Chris.Asher@SIHO.org)) or Andrew Kirk ([Andrew.Kirk@siho.org](mailto:Andrew.Kirk@siho.org)). If you wish to be removed from this newsletter, please reply directly to this message asking to 'unsubscribe'

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