

# BENEFITS ALERT

Rose & Kiernan, Inc.

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## Early Retiree Reinsurance Program

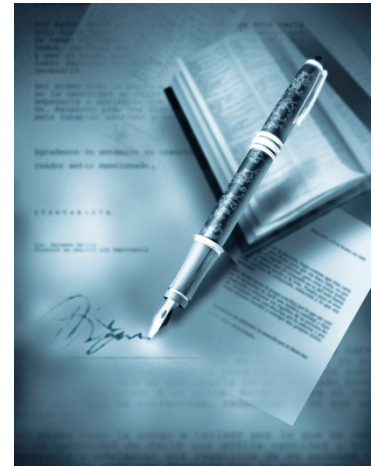
**As part of the recently passed Health Care Reform legislation,** the PPACA established a reinsurance program that will be administered by HHS and available to employers who offer health coverage to their early retirees (**those between the ages of 55 and 64**) and dependents of those retirees. HHS has issued interim regulations to implement the program, and indicates that it expects the program to be up and running by **June 1, 2010.**

**Congress appropriated \$5 billion in funding for this reinsurance program,** and the program will end when all funding has been consumed, or January 1, 2014, whichever is sooner. Any sponsor of a qualifying retiree health benefits insurance plan is eligible to participate in the reinsurance program.

**The reinsurance reimbursement is 80 percent of the cost,** of all of the claims incurred by the plan and each participant that are between **\$15,000 and \$90,000,** for the plan year. Reimbursable claims are only those incurred between 6/1/2010 and the end of the plan year but claims incurred between 1/1/2010 and 5/31/2010 are eligible to be counted towards the \$15,000 attachment point.

To be eligible for those reinsurance payments, a sponsor will be required to file a single application demonstrating plan eligibility and then, after the sponsor is approved for the program, the sponsor will file for claims reimbursement as claims are incurred. Among other items, the application requires the plan sponsor to demonstrate or describe the following to establish its eligibility for reinsurance under the program:

- A. The legislation designated specific uses for the reimbursement including: (1) reducing premium contributions (2) reducing co-payments, deductibles, coinsurance, or other out-of-pocket costs for plan participants (3) reducing health benefit or health benefit premium costs for the sponsor or, (4) reducing any combination of these costs. The application should specify how the plan sponsor intends on using the reimbursement funds;
- B. The applicant should show how the reinsurance reimbursement will be used to help the plan sponsor maintain its current level of contribution to the applicable plan. The intent is for the sponsor to demonstrate that they plan on keeping their early retiree plan in place as opposed to eliminating the plan and having all the early retirees enroll in individual plans through the Health Insurance Exchange ;
- C. Procedures and/or programs that are in place that have the potential to generate cost savings with respect to plan participants with chronic and high-cost conditions need to be outlined. We expect significant help from the carriers since for the most part, that will be their disease management and/or case management programs that will be described;



- D. Policies and procedures in place to detect and reduce fraud, waste, and abuse need to be outlined. Again, we expect a large part of this to be the carriers' programs but the plan sponsor should show any procedures they have to detect fraud, primarily in enrolling new members; and
- E. There needs to be a written agreement in place with the health insurance issuer or self-insured plan allowing disclosures to be made to HHS as required. The health insurance carrier will be the entity submitting future claims and due to HIPPA requirements, the plan sponsor needs an agreement from the carrier that they will be submitting claims in the format specified by HHS.

We expect HHS to release the application by mid June. Since the funds are limited it's important that you have as much of the data collected as possible prior to completing your application.

**Potential plan sponsor-applicants should begin assembling the information that will be needed to apply for and participate in the program as soon as possible. This information collection should include data on the dollar amount of claims paid for each such retiree plan participant from January 1 to June 1, 2010, as this data will be necessary to initiate the claims process once a plan sponsor is certified to participate in the program. It should be noted that certain matters will be the subject of further guidance that HHS plans to issue at a future unspecified date, including details on the mechanism HHS will use to monitor plans' use of reimbursements in accordance with the statutory limitations, and the process for revising reimbursement amounts due to post-claim changes.**

*This Summary is provided to you for general information purposes only and does not include references to other legal resources (e.g., supporting regulations, or formal or informal opinions) unless specifically noted. Please seek qualified and appropriate counsel for further information and/or advice regarding the application of the topics discussed herein to your employee benefits plan.*

*Updated: May 21, 2010*