

SUMMARY FOR HR AND MANAGEMENT

The Early Retiree Reinsurance Program was established by the Patient Protection and Affordable Care Act (Affordable Care Act). The information provided is to give you an overview of this program and includes links to additional resources to for a more in-depth analysis as to whether this is something your company should consider.

PROGRAM PROVISIONS

\$5 billion has been appropriated for temporary financial help for employer plans to continue to provide coverage to certain retirees and their spouses, surviving spouses, and dependents. The program ends when all funds are exhausted but no later than January 1, 2014 – at which time additional options will become available through the health insurance exchanges.

EFFECTIVE DATE

The program is effective June 23, 2010 and payments are retroactive for a plan year.

ELIGIBILITY

Both self-funded and insured plans can participate including plans sponsored by private entities, state and local governments, nonprofits, religious entities, and unions.

To be eligible for the reinsurance program, an employer-based plan must provide health care benefits to early retirees and, his or her spouse, surviving spouse, and dependents (if they have family coverage). An “early retiree” is defined as an individual age 55 and older who is neither an active employee nor eligible for Medicare.

Determination as to whether an individual is or is not an active employee is made by the sponsor. An individual is presumed to be an active employee if under the Medicare Secondary Payer (MSP) rules the person is considered to be receiving coverage by reason of current employment status.

REQUIREMENTS TO RECEIVE ASSISTANCE

Employers will submit an application to Department of Health and Human Services (HHS). It is expected the process will be similar to submitting applications for the Retiree Drug Subsidy (RDS) program, except an application only has to be submitted once, instead of each year.

It appears that the application must be submitted by the authorized representative of the Plan along with an acknowledgement that the information is being provided to obtain federal funds. Some of the items to be included in the application are:

- a summary of how reimbursements will be used,
- an outline of the policies and procedures that are in place to eliminate fraud and waste,
- a projection of reimbursement amounts for two plan years,
- a list of all benefit options under the plan for which an early retiree is eligible and reimbursement may be claimed, and
- information about the types of programs in place (such as wellness and disease management) that currently, or are expected to, generate costs savings for participants, particularly those with chronic and high-cost conditions.

TIMING

Applications will be processed in the order they are received. If your application is denied, or sent back to you for additional information, your application must be resubmitted and the process begins again.

CLAIMS SUBMISSION

Once an employer is certified as eligible, requests for reimbursement can be submitted. Claims cannot be submitted until the \$15,000 threshold is met, incurred and actually paid, by the early retiree. Once these amounts exceed \$90,000 for a plan year for that retiree, no additional claims can be submitted.

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REIMBURSEMENT

HHS expects there to be more claims than funds. A preliminary survey of large employers (representing more than 1.3 million retirees) revealed that 76 percent of these companies plan to pursue reimbursement.

Companies can potentially receive up to 80% reimbursement on claims (minus negotiated price concessions) between \$15,000 and \$90,000 for each early retiree. The types of claims reimbursable include medical, surgical, hospital, and prescription drug costs.

Claims for reimbursement include the sponsor's net cost of providing health benefits for early retirees, but cannot include the plan sponsor's premium costs to provide the benefit.

Payment will be made only to the employer, not the eligible "early retiree."

USE OF REIMBURSEMENT

The reimbursement dollars received must be used to lower health care costs for participants, reducing costs such as: premiums, premium contributions, co-payments, deductibles, or other out-of-pocket expenses.

ADDITIONAL CONSIDERATIONS

Some other areas which will require planning and discussion include process and procedures to handle:

- appeals,
- HHS audits,
- disclosures of data inaccuracies,
- potential change of company ownership, and
- records - a considerable amount of documentation and records retention will be required (six years after the expiration of the plan year in which costs were incurred, or longer as required by law).

LINKS AND RESOURCES

Additional information on the early retiree reinsurance program can be found at these links:

[The White House Fact Sheet](#)

http://www.whitehouse.gov/sites/default/files/rss_viewer/reinsurance_early_retirees_fact_sheet.pdf

Department of Health and Human Resources: Interim Final Rule

<http://edocket.access.gpo.gov/2010/pdf/2010-10658.pdf>

[A Summary by Hewitt Associates](#)

http://www.hewittassociates.com/_MetaBasicCMAAssetCache/_Assets/Legislative%20Updates/2010/Final_HHS_Rule_on_Early_Retiree_Reinsurance_Program_050710.pdf

[HealthReform.gov - The Affordable Care Act's Early Retiree Reinsurance Program](#)

<http://healthreform.gov/affordablecareact.html>

[Office of Information and Regulatory Affairs - Applications, Instructions, Supporting Statements](#)

Note: these documents are in MS Word docx format

http://www.reginfo.gov/public/do/PRAViewDocument?ref_nbr=201005-0938-012