

We the People

of the United States, in order to form a more perfect Union, insure domestic Tranquility, provide for the common defence, promote the general Welfare, and our Posterity, We ordain and establish this Constitution for the United States of America.



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Healthcare Re-FORUM

Healthcare Re-Forum: Issue No. 3



Early Retiree Reinsurance Program

The Patient Protection and Affordable Care Act (PPACA) provides a \$5 billion reinsurance program to partially reimburse sponsors of employment-based plans that are providing health coverage to early retirees and their eligible spouses, surviving spouses and dependents. This provision goes into effect June 1, 2010. The program will be administered by the Department of Health and Human Services (HHS).

The program provides reimbursement to sponsors of employment-based health plans that provide benefits to early retirees. An employment-based plan is a group health plan maintained by a private employer, state or local government, employee organization, voluntary employee beneficiary association or a committee or board of individuals appointed to administer a group plan. ERISA-defined multi-employer plans are also eligible. An "early retiree" must be age 55 or older and cannot be eligible for Medicare. The early retiree cannot be an active employee of an employer maintaining or contributing to the employment-based plan or of any employer that has made substantial contributions to the plan. Claims for dependents of the early retiree are eligible for reimbursement as well, without regard to the age of the dependent.

Plan sponsors can apply and become certified for the program through HHS. The applications will be reviewed in the order in which they are received and plan sponsors must submit one application for each group health plan they maintain. It is important that the application be correct, as there is no way to correct a submitted application. A new application would then have to be submitted, leaving a risk that funds may have run out by that time. The application must include, among other items, the following information:

- The projected reimbursement amount expected for the first two plan-year cycles with specific amounts for each plan year
- A notation acknowledgement that federal funds will be received by the plan sponsor and that all information in the application is being used to obtain federal funds
- Assurance that the plan sponsor has entered into a written agreement with the health insurance issuer or group health plan that appropriate information, as defined by the program, may be disclosed to HHS
- Verification that written procedures are in place to detect and reduce fraud, waste and abuse
- A summary detailing how reimbursements will be used

Eligible plans must also document programs and procedures that are in place to generate cost savings for participants with chronic and high-cost conditions. The regulations define a chronic and high-cost condition as one for which \$15,000 or more in health benefit claims are likely to be incurred during a plan year by an individual.



All claims for the retiree, even those below the \$15,000 threshold, must be submitted and should include any cost-sharing amounts paid by the retiree. The actual paid amounts, net of any provider discounts, must be submitted. Payments are retroactive for a plan year, so plan sponsors will be able to take advantage of reimbursements for costs incurred on or after June 1, 2010. Any expenses incurred for early retirees prior to June 1, 2010, will apply toward the \$15,000 threshold, but not the reimbursement.

The program ends on January 1, 2014, when early retirees will be able to obtain their coverage through the health insurance exchanges. The program may also end if the funding is exhausted, which many analysts believe will occur prior to 2014.

Note: Medical Mutual is developing processes and standard formats for providing information that groups will need if they plan to submit an application, as well as for submitting claims for reimbursement once they have become certified.

The amount of reimbursement available is up to 80 percent of annual paid claims that fall between \$15,000 and \$90,000 per person. Amounts paid to a participating plan through the reinsurance program must be used for either of the following purposes:

- To reduce the sponsor's health benefit premiums or health benefit costs
- To reduce health benefit premium contributions, co-payments, deductibles, coinsurance or other out-of-pocket costs for plan participants—the reimbursement cannot be used as revenue for the plan sponsor

Future Topics:

- Age of Dependent
- Small Business Tax Credits
- National High Risk Pool