Affordable Care Act Implementation Alert

The Affordable Care Act and your self-funded health plan

Independence Administrators

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Summary of Benefits and Coverage (Update)

WHAT IS A SUMMARY OF BENEFITS AND COVERAGE (SBC)?

Many of you are already familiar with the SBC. The SBC is a standard, "plain language" summary of benefits and coverage designed to help plan members better understand their health coverage options and to make informed decisions about their health care coverage. The easy-to-read summary gives plan members and newly-eligible individuals clear, accurate, and consistent information to help them compare health plans.

The SBC's format and content were specifically defined by the Departments of Labor, Treasury, and Health and Human Services and went into effect September 23, 2012.

HOW HAS THE SBC CHANGED?

The Department of Labor (DOL) issued updated guidance on April 23, 2013, that requires SBCs to include information on a plan's Minimum Essential Coverage (MEC) and Minimum Value (MV). An updated *SBC template* and *sample completed SBC* have been released by the DOL.

WHEN DOES THE NEW SBC FORMAT TAKE EFFECT?

The updated SBC format applies to the "second year of applicability" — plan years beginning on or after January 1, 2014, and before January 1, 2015. For a plan year beginning on January 1, 2014, the updated SBC format — with the MEC and MV information — should be made available during open enrollment period, typically, in the fall of 2013.

WHAT IS MINIMUM ESSENTIAL COVERAGE (MEC)?

Minimum Essential Coverage refers to the type of coverage an individual needs to have to meet the individual responsibility requirement under the Affordable Care Act. This includes individual market policies, job-based coverage, government-sponsored programs (Medicare, Medicaid), and certain other coverage.

WHAT DEFINES MINIMUM VALUE (MV)?

A plan has "Minimum Value" if it pays 60 percent or more, on average, of total allowed costs of benefits.

WHAT IS THE NEW LANGUAGE RELATED TO MEC AND MV?

Updated SBCs should include these two new questions:

Does this Coverage Provide Minimum Essential Coverage?

The Affordable Care Act requires most people to have health care coverage that qualifies as "minimum essential coverage." **This plan or policy [does/does not] provide minimum essential coverage.**

Does this Coverage Meet the Minimum Value Standard?

The Affordable Care Act establishes a minimum value standard of benefits of a health plan. The minimum value standard is 60% (actuarial value). **This health coverage [does/does not] meet the minimum value standard for the benefits it provides.**

HOW DO I KNOW IF MY PLAN MEETS THE MINIMUM VALUE STANDARD?

The Department of Health and Human Services (HHS) provides an *online tool to help calculate* whether or not a plan meets the Minimum Value standard. There are also *instructions* for using the calculator tool.

DOES THIS CHANGE AFFECT THE 60 DAYS ADVANCE NOTICE RULE?

The 60 days advance notice rule notice applies to off-renewal date changes only and does not affect changes made in connection with a renewal or reissuance.

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SHOULD THE QUESTION REGARDING ANNUAL LIMITS BE OMITTED SINCE IT NO LONGER APPLIES FOR PLAN YEARS BEGINNING ON OR AFTER JANUARY 1, 2014?

No. Plans and issuers should continue to answer questions on the SBC regarding annual limits even though plan years beginning on or after January 1, 2014, are prohibited from imposing annual limits on **essential health benefits**. The SBC should include detailed information on any limits on specific covered benefits that are ***not*** essential health benefits, such as chiropractic care and hospice.

HOW CAN INDEPENDENCE ADMINISTRATORS HELP YOU?

Your Independence Administrators account team is ready to collaborate with you and your benefit consultant to collect and prepare the information for each benefit plan we administer and provide — SBCs for plan years, open enrollments, and newly-eligible individuals' requests.

Independence Administrators can also provide an analysis to determine if your plan(s) meets the Minimum Value standard. For more information or to request an analysis, please contact your Independence Administrators account representative.

Independence Administrators does not provide legal or tax advice. The final determination of whether the Plan Sponsor meets the requirements of the Affordable Care Act must be made by the Plan Sponsor in consultation with the employer's own legal counsel or tax advisor.

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