



## Health Care Reform News

### **Health Care Reform — Early retiree reinsurance program**

**June 2, 2010** — This message presents an overview of the early retiree reinsurance program provided for in the Patient Protection and Affordable Care Act (PPACA) and the actions that plan sponsors can take to apply for reimbursement.

The program processes applications and claims on a “first come – first served” basis. The program will stop making reimbursements when its funds run out. The program’s funds are capped at \$5 billion.

#### **WHAT IS THE EARLY RETIREE REINSURANCE PROGRAM?**

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PPACA provides for the establishment of a temporary reinsurance program to partially reimburse employers who provide health insurance coverage to retirees over age 55 who are not yet eligible for Medicare, as well as their spouses and dependents.

The reinsurance program is scheduled to begin June 1, 2010. The program ends on January 1, 2014, or sooner if the funding runs out.

The reinsurance program will reimburse employment-based plans for a portion of the cost of providing health coverage to an early retiree (or spouse, surviving spouse, or dependent of a retiree). HHS will reimburse the plan sponsor for 80% of the costs (minus negotiated price concessions) paid for each person for health benefits between \$15,000 and \$90,000.

The program is intended to be administered similarly to the Medicare Part D Retiree Drug Subsidy (RDS) Program, and there should be similarities between the programs’ applications.

#### **GROUP HEALTH PLAN ELIGIBILITY**

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The program is available to group health plans that provide health benefits to early retirees.

#### **RETIREE ELIGIBILITY**

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Retirees whose expenses are eligible for the reimbursement must be:

- age 55 or older;
- not eligible for coverage under Medicare; and
- not active employees of an employer maintaining or contributing to the plan.

Reimbursement is also available for a retiree’s spouse, surviving spouse, and dependents enrolled in the plan. The interim final regulations clarify that claims for these individuals are still reimbursable under this program if the spouse, surviving spouse, or dependent is under age 55 and/or eligible for Medicare.

Plans are required to submit eligibility lists along with their claims submissions.

#### **RETIREE ELIGIBLE EXPENSES**

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“Health benefits” includes medical, surgical, hospital, prescription drug, and other benefits as determined by HHS.

Generally, stand-alone supplemental benefits, such as dental and vision benefits, are known as “limited scope” benefits under HIPAA, and they are not included. Eligible benefits may be self-funded or provided through insurance.

Costs for all health benefits in which the person is enrolled are combined to determine if the \$15,000 cost threshold and \$90,000 cost limits are met, for each individual on whose behalf the plan submits a claim.

## **PLAN SPONSOR PROGRAM APPLICATIONS**

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Plan sponsors must submit an application to apply for the program, using a process modeled after the Medicare Part D RDS. However, this program will require only one application to submit claims for multiple plan years.

The application must include specific information, including a signed agreement showing compliance with the federal requirements for the program. This agreement includes an assurance that there is an agreement in place regarding disclosure of data and an attestation that the plan has policies and procedures in place to detect fraud, waste, and abuse in the operation of this program.

No actuarial attestation is required for the reinsurance application. However, as part of the application, plan sponsors will need to project the amount of reimbursements they expect to receive from the program during the first two plan years.

Plan sponsors must also:

- explain how they expect to use the reimbursements; and
- describe their procedures or programs that have generated, or have the potential to generate, cost savings for participants with chronic and high-cost conditions.

HHS will accept complete applications in the order in which they receive them. If the application is not complete, the plan will have to submit another application, which HHS will process in the order in which they received it.

HHS may deny applications or claims, in whole or in part, based on lack of funds.

## **CLAIMS REIMBURSEMENT**

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The plan sponsor (or its administrator) will submit claims for reimbursement, including documentation of the actual amounts paid for the health care items and services provided. The plan sponsor must also submit an eligibility list.

Plans must submit claims on a per-person basis, combining different types of health benefits (such as medical and prescription drug). While plans combine claims to meet the reimbursement thresholds, the regulation does not identify the specific process for aggregating claims.

The program reimburses the plan sponsor for 80% of the costs between \$15,000 and \$90,000 incurred during the plan year for each early retiree (or family member).

Reimbursements are calculated as follows:

- Determine the costs incurred and paid minus negotiated price concessions (such as discounts, rebates, or direct or indirect remuneration or subsidies).
- Then subtract amounts below \$15,000 and amounts above \$90,000.

Plan sponsors can include costs that the retiree (or family member) paid, such as deductibles, copayments, or coinsurance. But to receive reimbursement, the plan must have evidence that the amounts were paid, for example, a payment receipt.

For 2010, plan sponsors may apply for a plan year that began before June 1, 2010, as long as it ends after June 1, 2010. Claims up to \$15,000 incurred before June 1, 2010, count toward the \$15,000 cost threshold and the \$90,000 cost limit. However, these amounts cannot be reimbursed.

Plan sponsors may submit claims when they are paid. Claims are processed on a first-in/first-out basis until program funding runs out.

The \$15,000 and \$90,000 amounts will be adjusted annually based on the percentage increase in the medical component of the Consumer Price Index for plan years beginning on or after October 1, 2011.

**FOR MORE INFORMATION**

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You can find more information about the early retiree reinsurance program online:

- [White House Fact Sheet on the Early Retiree Reinsurance Program](#)
- [Federal Register](#)
- [HHS Regulation and Guidance](#)

*This communication is not intended to provide either legal or tax advice. Please consult with your legal counsel or professional advisors to determine the effects of the statutes and regulations regarding health care reform on you and your plan members.*

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