

ReformAlert

News from the Blues' Office of National Health Reform



August, 2010

More information available about grandfathering For self-insured customers

The Patient Protection and Affordable Care Act (PPACA) distinguishes between health plans that existed prior to the March 23, 2010 law enactment date and those that come into existence or change their plan design afterward.

Individual and group health plans in existence on March 23, 2010, may be eligible to be considered "grandfathered" plans. New health plans, or plans which have been materially modified after March 23, 2010, are referred to as "new" plans. This distinction is important because grandfathered health plans are, in some cases, exempt from select reform requirements. However, grandfathered plans must comply with a majority of PPACA provisions, including many of the near-term benefit changes, such as extending eligibility for dependent coverage up to age 26.

Even if your group is eligible to remain grandfathered, we encourage all of our groups to choose to be treated as a new plan for several reasons:

Much of the value in maintaining grandfathered status would not be realized until 2014. Maintaining grandfather status for the next 3 plan years will limit the flexibility to adjust copays, deductibles and employee contribution levels.

- PPACA limits groups from making changes to their benefits as of March 23, 2010 in order to maintain grandfather status. To maintain grandfather status, groups cannot change:

The information in this document is based on BCBSM's review of the national health care reform legislation and is not intended to impart legal advice. Interpretations of the reform legislation vary, and efforts will be made to present and update accurate information. This overview is intended as an educational tool only and does not replace a more rigorous review of the law's applicability to individual circumstances and attendant legal counsel and should not be relied upon as legal or compliance advice. Analysis is ongoing and additional guidance is also anticipated from the Department of Health and Human Services. Additionally, some reform regulations may differ for particular members enrolled in certain programs such as the Federal Employee Program, and those members are encouraged to consult with their benefit administrators for specific details.

- copays by more than \$5 plus the cost of medical inflation or by 15 percent plus medical inflation;
- deductible values by 15 percent plus medical inflation; and
- employer/employee contribution levels.
- In 2014, grandfathered plans do not need to meet specific actuarial values or contain “essential benefits,” however, most of our group plans likely meet these thresholds already.

Minimal cost impact in the near-term reforms

- Grandfathered plans must comply with a majority of the PPACA legislation, including many of the near-term benefit changes, such as extending eligibility for dependent coverage up to age 26, no pre-existing exclusions for children, limitations on rescissions, and repeal of annual and lifetime dollar limits
- For most of our groups, the near-term benefit requirements will have a minimal impact on cost
- Much of the additional cost will be from insuring additional dependents who are now eligible for coverage. Grandfathering only offers a temporary ability to exclude dependents who have their own employer-sponsored coverage

Administrative burden associated with maintaining grandfathered status

- Group health plans must maintain records documenting the terms of the plan in effect on March 23, 2010 and any other documents necessary to verify, explain or clarify grandfathered status.
- Group health plans must include a statement in plan materials to participants, beneficiaries or primary subscribers, describing the benefits provided in the policy and explaining why they believe the policy is grandfathered as defined by PPACA.
- Contact information for questions and complaints must also be included. Model language for this statement is available in the HHS regulations available at **hhs.gov**.

As a self-insured group, we recognize your ability to choose your status. If you choose to remain grandfathered, a signed certification is required stipulating that your group is actively tracking grandfathered status and holding the appropriate information in the case of an audit.

If you would like more information, please visit **bcbsm.com/healthreform** and see the Reform Alert about grandfathering. If you have specific comments or concerns regarding this policy, please speak with your BCBSM sales representative or agent.

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