

**FEDERAL HEALTHCARE REFORM:
PATIENT PROTECTION AND AFFORDABLE CARE ACT
EMPLOYER EARLY RETIREE REINSURANCE**



This summary provides an updated overview of the early retiree reinsurance program under the “Patient Protection and Affordable Care Act” (PPACA). The Department of Health & Human Services (HHS) issued an Interim Final Rule (IFR) implementing the program on May 5, 2010, and posted the final application and additional guidance, including Frequently Asked Questions (FAQs), as recently as July 2, 2010.

Summary: The program provides a “reinsurance” payment to employer-sponsored group health plans as an incentive for them to continue to provide coverage to early retirees. (§1102 of PPACA)

Scope: Group health plans (whether insured or self funded), including state and local governmental plans, are eligible. However, this program is inapplicable to small employers as they are not permitted to cover early retirees under Rhode Island law.

Effective Date: HHS began accepting applications on June 29, 2010. The program continues until January 1, 2014 or until it exhausts the allocation of \$5 billion.

Program Details: Group health plans are eligible be reimbursed 80% of claims between \$15,000-\$90,000 incurred by an early retiree or the spouse, surviving spouse, or dependent of such retiree. Claims include medical, surgical, hospital, drug, and other items determined by HHS.

An “early retiree” is an individual age 55 and older, who is not eligible for coverage under Medicare, and who is not an active employee of the employer funding the plan.

The payments may be used to offset increases in the sponsor’s health benefit premiums or costs, to reduce participants’ premium contributions, co-payments, deductibles, co-insurance, or other out-of-pocket costs (for all participants, not just early retirees), or some combination of the two. The sponsor may not treat the payments as general revenues.

Other Key Provisions & BCBSRI Implementation:

Applications

The group health plan sponsor must submit an application for participation to HHS. The FAQs clarified that the order in which applications are received will not impact the distribution of funds (earlier guidance suggested the application period might close based on *estimated* payments).

To assist sponsors with their applications, BCBSRI will provide copies of policies against fraud, waste and abuse, summaries of cost-saving programs in place for members with chronic and high-cost conditions, and estimates of a plan’s reimbursement proceeds.

Requests for Reimbursement

HHS is currently developing its process for accepting claims data and reimbursement requests. Interested parties are encouraged to monitor the program’s web page at the HHS link below.

Sponsors should inform BCBSRI once HHS approves their application. BCBSRI will then provide an agreement regarding the process for generating claims information.

References: HHS: <http://www.hhs.gov/ociio/regulations/index.html>
IFR: <http://www.hhs.gov/ociio/regulations/gate.pdf>
PPACA: <http://docs.house.gov/energycommerce/ppacacon.pdf>
HHS Website: http://www.hhs.gov/ociio/regulations/index.html#early_retiree

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