Summary of the Early Retiree Reinsurance Program

A. Program Summary and Employer Eligibility

1. Program Summary

- As part of the Patient Protection and Affordable Care Act, Congress appropriated $5 billion in funding for the **temporary** Early Retiree Reinsurance Program (called the "Program" hereafter).
  - The Program will be terminated on December 31, 2013 or after the $5 billion fund is exhausted, whichever occurs first.
- The Federal Government has enacted this Program in order to offer an incentive for employers to retain early retiree health insurance for their employees until state insurance exchanges begin in 2014.
- Under this Program, employers have the opportunity to be reimbursed in order to help reign in increases in health care costs.
- Reimbursement will be equal to 80 percent of health benefits costs that exceed $15,000, but are below $90,000, for each non-Medicare plan participant (and any covered dependents) over age 55 who is not actively working.
  - Health benefit costs include cost sharing paid by early retirees and their covered dependents (deductibles, co-payments, and coinsurance) subject to appropriate documentations.
  - Covered dependents are not subject to the age limitations as long as the retiree is over the age of 55 and are not Medicare eligible.
- The Program will be established in early June with applications for the Program due shortly after its inception.
- Application will be processed in the order it was submitted.
- Since funding is limited, a prompt and complete application is important to take advantage of this one-time Program.

2. Employer Eligibility

In order to be eligible, an employer must:

- Have early retirees with health benefit costs in the applicable range ($15,000 to $90,000).
- Have policies and procedures in place that have created or could possibly create cost-savings for participants with chronic or high cost conditions.
  - A chronic or high cost condition is defined in the law as *any* condition where related claims of over $15,000 per year are likely to be incurred by one plan participant.
- Have policies and procedures in place that are working "to detect and reduce fraud, waste, and abuse".

B. Use of Funds

1. Fund Use Guidelines

- Three principal ways that a plan sponsor can use the funds for:
  - To reduce increases in total premiums
  - To reduce increases in participant cost-sharing (for example deductibles, copayments and co-insurance)
  - To reduce plan participants costs
- Reimbursements can be used to reduce health benefit costs for all plan participants such as active employees and their dependents, and all retirees (early and Medicare) and their dependents.
- Providers, under the law, must maintain the "same level of effort" in supporting the plan.
  - Funds must only be used to pay for the *increase* in provider premiums and costs over prior year's premiums and costs or to reduce plan participants costs.

2. Examples of Use of Program Funds

i. Reduce both employer and retiree share of the premium ($50 dollar reimbursement)

Employer Pays 80%	**Current Costs (2010)**	**2011 Costs (10% inc.)**	**With Program Funds**
(A) Full Premium	$ 500	$ 550	$ 550
(B) Employer Portion (.8 * A)	$ 400	$ 440	$ 400
(C) Retiree Portion (.2 * B)	$ 100	$ 110	$ 100
(D) Program Funds Used	$ -	$ -	$ 50
			ALLOWED

Employer and retiree costs are maintained at 2010 level so employer maintains "same level of effort".

ii. Reduce only employer share of the premium ($50 dollar reimbursement)

Employer Pays 80%	**Current Costs (2010)**	**2011 Costs (10% inc.)**	**With Program Funds**
(A) Full Premium	$ 500	$ 550	$ 550
(B) Employer Portion (.8 * A)	$ 400	$ 440	$ 390
(C) Retiree Portion (.2 * B)	$ 100	$ 110	$ 110
(D) Program Funds Used	$ -	$ -	$ 50
			NOT ALLOWED

Employer reduces their subsidy, which means that they do not maintain "same level of effort".

iii. Reduce employer premium retiree copays, deductibles, or coinsurance ($50 dollar reimbursement)

Employer Pays 80%	**Current Costs (2010)**	**2011 Costs (10% inc.)**	**With Program Funds**
(A) Full Premium	$ 500	$ 550	$ 550
(B) Employer Portion (.8 * A)	$ 400	$ 440	$ 400
(C) Retiree Portion (.2 * B)	$ 100	$ 110	$ 110
(D) Program Funds Used	$ -	$ -	$ 40
			ALLOWED

Employer maintains "same level of effort", while the remaining ten dollars is applied to reduce retiree copays, deductibles, or coinsurance.

C. Application Process

1. Application Parts

Below is a list of required information that we expect to collect for the Program's application:

- Plan Sponsor information, which includes:
  - Plan Sponsor Tax Identification Number
  - Plan Sponsor Name, Address, and Phone Number
  - Authorized Representative name and e-mail address (Authorized Representative will be responsible in signing the plan sponsor agreement)
- Plan Year start and end dates
  - The Program is effective on June 1, 2010 but plans that end after June 1, 2010 are eligible to participate.
- Summary of how the plan sponsor will use the reimbursements within the bounds of the Program
  - Ways it will reduce plan participants costs
  - Ways it will reduce plan sponsor costs
- Summary of programs already implemented or to be implemented to generate savings for participants with chronic or high-cost conditions.
- Projection of reimbursements for the first two plan cycle years.
- Identification of all benefit options that the plan sponsor is claiming reimbursements for.
  - Different plan designs can be seen as different benefit options.
  - Different retiree contribution arrangements can create different benefit options.
  - Different retiree groups (Union, Non-Union, Public Safety plans) can be seen as different benefit options.
- Confirmation that there are fraud, waste, and abuse reduction policies in place.
- Signed plan sponsor agreement.
- Other items as required by the Department of Health and Human Services (waiting on additional guidance from the Secretary of Health and Human Services).

2. General Application Guidelines

- One application must be sent for each plan.
- If the application is incomplete, it will be denied and an entirely new application must be submitted, which will be placed at the back of the line.
- Clarity and completeness are therefore very important for the application.
- One application will be sufficient for multiple years of funds, as long as enough money is available for reimbursements.

If you would like to read more about the Early Retiree Reinsurance Program, please click the link below, which will take you to the full text of the Patient Protection and Affordable Care Act. Proceed to Section 1102 at the bottom of page 25.
http://democrats.senate.gov/reform/patient-protection-affordable-care-act-as-passed.pdf

For further information, please feel free to contact:

- Randy Gomez, FSA, MAAA (randy.gomez@nyhart.com, (317) 845-3595)
- Joseph Polley, ASA, MAAA (joe.polley@nyhart.com, (317) 845-3596)
- Evi Laksana, ASA, MAAA (evi.laksana@nyhart.com, (317) 845-3597)