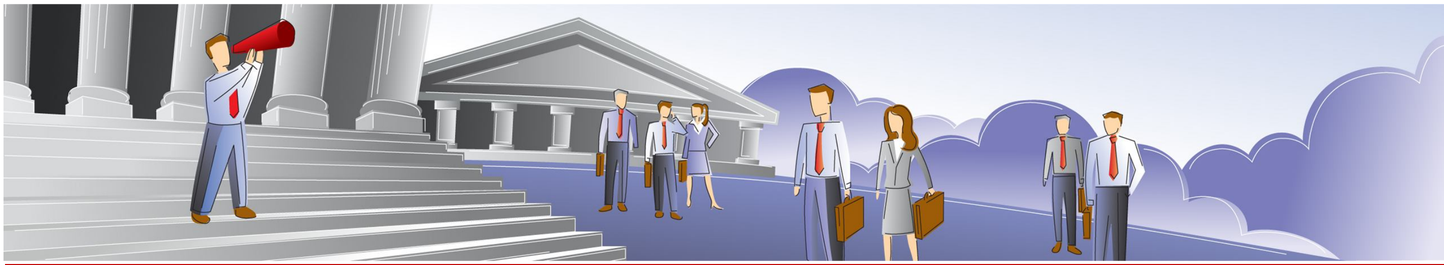

LEGISLATIVE BRIEF

Health Care Reform: Reinsurance for Early Retirees

The Patient Protection and Affordable Care Act (PPACA) includes a reinsurance program for early retiree benefits, which provides reimbursement to participating employer-based plans that provide coverage to early retirees. These plans may be reimbursed for a portion of the cost of health benefits for early retirees and their spouses, surviving spouses and dependents.

This Alan Benoy Insurance Services Legislative Brief provides helpful information about the reinsurance program and how businesses can apply.

Early Retiree Reinsurance Facts
The early retiree reinsurance program provides $5 billion for temporary financial help for employer plans to continue to provide valuable coverage to certain retirees.

Effective Date
The program became effective June 23, 2010, with applications being accepted for the first time on June 29, 2010. The program ends on Jan. 1, 2014, when additional coverage options will be available in state health insurance exchanges.

Who Qualifies
Payments will be made to employer-sponsored health plans on behalf of an early retiree (and his or her spouse, surviving spouse and dependents). An “early retiree” is defined as an individual age 55 and older who is neither an active employee nor eligible for Medicare.

Eligible Firms
Payments will be made to employer-sponsored health plans on behalf of early retirees. To receive assistance, plans must apply, document claims, and implement programs and procedures to generate cost savings for participants with chronic and high-cost conditions. Plans will be subject to audits to assure fiscal integrity.

Amount of Assistance
For each early retiree (and his or her spouse, surviving spouse and dependents), the employer plan will receive up to 80 percent of costs, minus negotiated price concessions, for health benefits between $15,000 and $90,000. This reinsurance corridor will be adjusted in subsequent fiscal years by the medical component of the consumer price index.

Use of Payments
Generally, plans must use these proceeds to lower health costs for enrollees (e.g., premium contributions, copayments, deductibles, etc.).

Frequently Asked Questions:

Who Applies and When?
Employer and union-based plans will submit an application to the Department of Health and Human Services (HHS) to participate in the program. HHS published a revised application and instructions to be used after **Nov. 9, 2010**. To apply, see www.errp.gov/how_to_apply.shtml.

How Will Payments be Made?
Plans with approved applications will submit paid claims to HHS.

What Types of Employer-Sponsored Plans are Eligible?
Both self-funded and insured plans can participate, including plans sponsored by private entities, state and local governments, nonprofits, religious entities, unions, etc.

What Types of Services Qualify for Reimbursable Services Under the Program?
Plans can get program payments for medical, surgical, hospital and prescription drug costs.

How Should Employers Treat Reinsurance Payments When it Comes to Taxes?
Proceeds are excluded from gross income.

Why is Early Retiree Reinsurance Important?

Growing Population with Greater Health Risks
The baby-boom population is primarily ages 55 to 64. The percent of people reporting fair to poor health is over 50 percent higher among people ages 55 to 64 versus those ages 45 to 54. The death rate of people ages 55 to 64 is more than twice that of those ages 45 to 54. Among all adults, Americans ages 55 to 64 have the highest rate of obesity, making older Americans susceptible to chronic illness.

Greater Health Costs
Health spending for the average person age 55 through 64 is about 50 percent higher than the average for people ages 45 to 54. High out-of-pocket health spending has caused a significant number of older Americans to delay retirement to fund such costs.

Less Access to Affordable Coverage
Less than half of people ages 55 to 64 work full time. Millions of workers fully retire before they reach age 65. Individual market insurance is often not an option because premiums have increased more for older than younger Americans. The number of employers providing health coverage to early retirees has significantly eroded over the years, from 66 percent of large firms in 1988 to 31 percent in 2008.

Source: www.whitehouse.gov.