

EARLY RETIREE REINSURANCE PROGRAM

WHAT IS IT?

The Early Retiree Reinsurance Program, part of the recently enacted health care legislation, reimburses employers for high claims experienced within a retiree medical program. The government has recently released guidance on the program which we have summarized below.

BACKGROUND

The Patient Protection and Affordable Care Act (PPACA) established a temporary Early Retiree Reinsurance Program. This program provides employer plans reimbursement of 80% of claims between \$15,000 and \$90,000 paid for early retirees (and their spouse and dependents) at least age 55 and not yet eligible for Medicare. Claims are cumulative for the plan year and include medical, surgical, hospital and prescription drug. Claims also include the amount the retiree contributes towards their benefits in the form of deductibles, copays or coinsurance, as long as there is proof those amounts have been paid. The program is scheduled to begin June 1, 2010 and end at the earlier of January 1, 2014 or when the \$5 billion allocated to the Program has been depleted.

REQUIREMENTS

Basic Prerequisites

- The Plan must have in place programs and procedures which can be expected to generate cost-savings with respect to participants with chronic and high-cost conditions.
- The Plan sponsor must have a written HIPAA agreement in place with its health insurance provider or Plan to disclose protected health information to the Department of Health & Human Services.
- The Plan sponsor must attest that there are anti-fraud, waste and abuse policies in place.

Applications/Filings

The government has indicated that the procedures for receiving federal funds will be similar to the Retiree Drug Subsidy program. This program is an internet based process which will include online submission of information. In addition, your claims administrator will likely need to submit claim information under government specifications. The process includes an initial application as well as subsequent submissions of data. Initial applications for the Program are expected to be available in mid- to late-June, and will be processed in the order received. Once certified, a Plan can submit for reimbursements for claims incurred and paid. Again, the submissions will be processed in the order received.

Use of Funds

The Plan sponsor must use the reimbursements to reduce plan sponsor or active and retired participant costs, or a combination of both. Reimbursements cannot be used as general revenue of the employer. Sponsors must maintain their current level of contribution towards the plan; however, the reimbursement may be used to absorb future increases in employer costs.

ACTION

Does it make Sense?

The first step will be to determine if it makes sense to file for the Program. A single high claimant can potentially generate \$60,000 in federal funds. However, the administrative procedures are likely to be cumbersome and may include hard dollar costs such as carrier fees for submitting data. The administrative issues in combination with the short-term, "free-for-all" nature of the program make this a difficult decision for plan sponsors.

Next Steps

If you decide that filing for the Early Retiree Reinsurance Program makes sense for your entity, it is important to position yourself now to begin the filing when the application becomes available in June, so that you can maximize your federal funding received prior to the depletion of the \$5 billion allocated. Here are some things you can do now:

1. Review the prerequisites described above with your insurance provider and/or trust administrator in order to ensure that you qualify.
2. Review claims tracking (and ultimately submission) capabilities with your insurance provider and/or trust administrator in order to ensure that the necessary claims data can be determined and provided to the government.
3. Develop an estimate of reimbursements for the first two plan years under the Program (required in the application).
4. Develop a policy as to what you will do with the reimbursement. Specify how the reimbursement will be used to offset participant cost, employer cost, or a combination of both.

If you have any questions, or if you would like assistance preparing for the application process, please contact Laura Hess at 717-652-5633 or laurahess@conradsiegel.com.

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