



Health Reform Update for Employer Sponsored Health Plans

Grandfathered Plans

August 24, 2010

Grandfathered plans

- Any group health plan in effect on 3/23/2010
 - New employees and dependents can be added to grandfathered plans
- Rules issued June 14th, 2010
 - Employers offering multiple benefit options (i.e. giving employees a choice between a high deductible plan and a traditional PPO plan) will need to consider the grandfathered status of each benefit option separately
 - Employer may find that changes will cause one option to lose grandfathered status but not the other

Reasons plans will lose grandfathered status

- A significant cut or reduction in benefits for specific conditions
 - Eliminate “all or substantially all benefits to diagnose or treat a particular condition”
- Raising coinsurance that is based on a percentage
 - Plans may not raise % charged for coinsurance when coverage is expressed as a percentage
- Reduce annual limits

Reasons plans will lose grandfathered status

➤ Reducing employer contributions

- Employer may not decrease the percent of premiums the employer pays by more than 5% from contribution level on March 23rd, 2010
- Example:
 - On March 23, 2010, employer contributes a flat \$300 to an enrollee with single coverage with a total premium of \$500
 - » $\$300 = 60\%$ of \$500
 - Plan's rate increases to \$600 the following plan year
 - Employer must contribute at least \$330 to retain grandfathered status
 - » $\$330 = 55\%$ of \$600

Reasons plans will lose grandfathered status

- Significantly raising deductibles or fixed copayment charges
 - New deductibles and copayments will be compared to those in effect on March 23, 2010
 - To retain grandfathered status, plans can increase deductibles and copays by no more than a fixed percentage (or \$5, whichever is greater)
 - Medical inflation since March 23, 2010 plus 15%

 Grandfathered plan deductible change example:

Plan Deductible on March 23, 2010	\$1000
January 1, 2011	
Medical CPI-U between March 23, 2010 and January 1, 2011	4%
Maximum deductible on 1/1/2011 = 19% above March 23, 2010 level (4% Medical CPI + 15%)	\$1,190
January 1, 2012	
Medical CPI-U between March 23, 2010 and January 1, 2012	10%
Maximum deductible on 1/1/2012 = 25% above March 23, 2010 level (10% Medical CPI + 15%)	\$1,250

Grandfathered plans

➤ Notice requirement

- Plans which maintain grandfathered status must include notice in plan materials
- Model notice released with regulations



Grandfathered Plans

...this plan is a “grandfathered health plan” under the Patient Protection and Affordable Care Act (the ACA). As permitted by the ACA, a grandfathered health plan can preserve certain basic health coverage that was already in effect when that law was enacted. **Being a grandfathered health plan means that your plan may not include certain consumer protections of the ACA that apply to other plans**, for example, the requirement for the provision of preventive health services without any cost sharing. However, grandfathered health plans **must comply with certain other consumer protections** in the ACA, for example, the elimination of lifetime limits on benefits.

Questions regarding which **protections** apply and which protections do not apply to a grandfathered health plan and what might cause a plan to change from grandfathered health plan status can be directed to the plan administrator ...