

■ Grandfathered Health Plans ■

WHAT CHANGES CAN YOU EXPECT?

1 What types of changes will affect the grandfather status?

2 Can employers make benefit plan changes that will not affect their status?

3 What happens next?

The Patient Protection and Affordable Care Act (PPACA) and the Health Care and Education Reconciliation Act of 2010 (HCERA) include provisions for grandfathering plans. Plans with grandfather status are not subject to certain requirements of the health insurance reforms provided in the Acts, such as **\$0 preventive care copays** and **non-discriminatory** enrollment provisions.

Depending on the changes employers make to their benefit plans, the plans may be considered a grandfathered plan and thus not have to implement certain requirements of the Acts. If a plan is grandfathered, it must still make certain changes required by the Acts. That is, no plans (other than retiree only plans) can remain as is at their renewal. Rather, groups will have to decide if they want to (1) maintain a grandfathered plan and then not have to implement all of the requirements of the Acts (but still many) and limit the changes they can make to their benefit plan designs, or (2) elect to make more substantial changes to their benefit plan design, but also have to implement all of the requirements of the Acts.

What types of changes will affect the grandfather status?

Many changes that all employers consider on an annual basis will automatically lead to losing the grandfather status. They include, but are not limited to:

1. Eliminating all or substantially all benefits to diagnose or treat a particular condition
2. Any change to co-insurance levels
3. Changing fixed deductibles and/or copays by more than the CPI-U medical inflation plus 15 percentage points as measured in March of 2010 versus original copay/deductible level
4. Cutting employer contributions by more than five percentage points below the rate in effect on March 23, 2010
5. Purchasing health coverage from a different company
6. Reducing or imposing annual and/or lifetime limits after March 23, 2010

This list does not include all of the provisions. You can learn more by visiting www.hhs.gov.

Can employers make benefit plan changes that will not affect their status?

Yes. There are some benefit plan changes that can be made with no impact to the grandfather status, such as:

1. Increasing premiums (but not decreasing employer contributions to such premiums in excess of the amounts noted in the answer to the left)
2. Complying with federal or state requirements
 - a. Changes to voluntarily comply with the health reform law
 - b. Changing Third Party Administrators, which applies to self-funded employers

What happens next? The U.S. Department of Health and Human Services will release additional guidance on other key health reform issues that will provide greater clarity around some open questions about grandfathered plans versus new reform-compliant plans. Please contact your account representative if you have questions about the implications of grandfather status or other components of health care reform.