



CLOSE-UP:

July 1, 2010

Health Care Reform and the Early Retiree Reinsurance Program

Health care reform - the new Patient Protection and Affordable Care Act (PPACA) – includes a provision that may help health plan sponsors to continue to provide coverage for early retirees age 55 and older who are not eligible for Medicare, who are not active employees and who are enrolled in health benefits under their employer-sponsored health insurance plans for a limited time. The temporary Early Retiree Reinsurance Program (ERRP) offers plan sponsors who meet certain qualifications the opportunity to receive reimbursements of a portion of early retiree claims costs. This program was designed to enable employers to continue to offer coverage to early retirees and their spouses, surviving spouses and dependents at the same level as the coverage offered to active employees.

How much money is available?

PPACA has earmarked \$5 billion to fund this program. The program will reimburse employers for 80 percent of early retiree health care claims between \$15,000 and \$90,000. Health benefits that qualify for relief include medical, surgical, hospital, prescription drug, mental health services and other benefits, as specified by the Secretary of Health and Human Services.

This temporary program is effective June 1, 2010 and will end when funds are exhausted or on January 1, 2014 – whichever comes first. Beginning on January 1, 2014, state health exchanges and Federal subsidies will be implemented to provide early retirees with other options for health care coverage.

What are the requirements to apply?

Private employers, state or local governments, employee organizations, voluntary employee beneficiary associations or multi-employer plans that already offer benefits to their employees are all eligible to participate in the program. Both self-funded and insured plans can apply for the program. Eligible plan sponsors must submit an application to the Department of Health and Human Services (HHS) to become certified to participate in the program. [Click here](#) for the official ERRP Application.

Information that must be included as part of the application includes:

- A list of benefit options for early retirees for whom the plan sponsor is applying for reimbursement
- A summary description of programs and procedures in place that have generated or have the potential to generate cost savings for participants with chronic and high-cost conditions, defined as a condition for which \$15,000 or more in applicable claims are likely to be incurred by one participant during a plan year. Highmark will supply you with this information.
- A plan for how you will use reimbursements received through the program to reduce premium contributions, co-payments or other out-of-pocket costs for plan participants, to reduce health benefit or health benefit premium costs, or to reduce any combination of these costs.
- Projections on the amount of reimbursement to be received under the program for the first two plan cycle years.
- An attestation from Highmark regarding programs and policies in place to detect fraud, waste and abuse.
- An assurance that the plan sponsor has a written agreement with its health insurance issuer or plan, as applicable, regarding disclosure of information to the Secretary of HHS.
- An acknowledgement that the information in the application is being used to provide Federal funds, and that all subcontractors acknowledge that information provided in connection with a subcontract is used for purposes of obtaining Federal funds.

[Click here](#) for the official ERRP Application Instructions and a list of Application Submission Dos and Don'ts.

How are claims reimbursed?

Reimbursement depends on the availability of program funds. Claims submitted for reimbursement must be between \$15,000 and \$90,000 per plan year, determined on a per-participant basis, and must include claims below the applicable cost threshold (\$15,000 for plan years that start on any date before October 1, 2011) for the plan year.

A transition provision allows plans with a plan year that begins before June 1, 2010 and ends on any date thereafter to request reinsurance for the plan year for certain costs. For plan years that start before June 1, 2010, claims incurred between January 1, 2010 and June 1, 2010 are credited toward the \$15,000 cost threshold and cost limit for reimbursement. However, these claims are not eligible for reimbursement and do not count towards the cost limit of \$90,000. Only those medical expenses incurred after June 1, 2010 are eligible for reimbursement.

For example, if an individual incurs costs of \$30,000 between the start of the plan year and June 1, 2010 and \$40,000 after June 1, 2010, the amount that may be reimbursed is 80 percent of \$40,000 (the costs above the \$15,000 threshold that occur after June 1, 2010). However, if a plan incurs \$90,000 or more in expenses before June 1, 2010, the \$15,000 threshold is considered met and the plan is eligible for reimbursement for 80 percent of costs incurred after June 1, 2010, up to the cost limit. Claims are for individual costs only; costs for two or more individuals cannot be added together to attain the threshold.

How can you use the reimbursements?

Plan sponsors can use reimbursements to reduce the plan sponsor's premiums or health benefit costs and/or to reduce premium contributions, co-payments, deductibles, co-insurance, or other out-of-pocket costs, or any combination of these costs, for plan participants. Participating sponsors must agree to maintain funding levels to support their applicable plans. Funds dispersed under the reinsurance program cannot be used as general revenue. Plan sponsors will need to indicate how the funds they receive will be applied to maintain their level of contribution to their plan.

How can Highmark help?

To help you meet application requirements, Highmark is prepared to provide you with the following:

- A summary of Highmark procedures and programs incorporated into all products that have generated or have the potential to generate savings for members with chronic and high-cost conditions. [Click here](#) for this document.
- An attestation that Highmark has policies and procedures in place to detect and reduce fraud, waste and abuse, and that it will produce requisite documentation upon request by HHS. [Click here](#) for this document.
- A written Administrative Services Agreement for Early Retiree Reinsurance Program providing for disclosure of requisite documentation necessary to comply with the requirements of the program. Contact your client manager for more information.
- A baseline report to assist you in estimating the projected amount of reimbursement you can expect to receive under the ERRP for each of the two plan year cycles identified in the ERRP application. Contact your client manager for more information.

NOTE: If you use another carrier for your prescription drug coverage, Highmark will not be able to combine this third-party data with your Highmark medical data so that you can submit it together for reimbursement under ERRP. Our concern is that any legal requirements imposed by the pharmacy benefit manager for the release of data, any data compatibility, data integrity or other issues could delay your ability to submit claims data. With the limited amount of funding available for this program and the "first come, first served" certification process, any delays could result in your not receiving funding.

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