

Healthcare Reform Overview Fully Insured Groups

Important changes must be made to your group health plan as part of the federal healthcare reform law, known as the Patient Protection and Affordable Care Act (PPACA).

Blue Cross & Blue Shield of Rhode Island (BCBSRI) is committed to helping groups understand and implement these changes and will continue to provide support, detailed information, and updates as needed.

The healthcare reform law will affect your group health plan in the following ways:

1. Lifetime and annual dollar limits will no longer be allowed.
2. Young adults can now stay on their parents' plan until age 26.
3. Most preventive care must be covered in full.
4. Small businesses are eligible for a tax credit to help offset the cost of providing coverage to their employees.
5. Employers who provide health benefits to early retirees may be eligible for "reinsurance" payments through a new federal program.
6. "Grandfathering" allows groups to be exempt from some PPACA requirements, however BCBSRI will not allow fully insured groups to "grandfather."

1. Elimination of Lifetime and Annual Limits

Health plans can no longer set lifetime or annual dollar limits on "essential health benefits."

- No lifetime limits for plans renewing on or after September 23, 2010.*
- Annual limits will be phased out by January 1, 2014.

Essential health benefits include services like hospital care, emergency care, doctor visits, prescription drugs, preventive care, and others. Annual limits may still be applied to non-essential benefits, including infertility, early intervention services, hearing aid services, wigs, and outpatient enteral nutrition.

> ***The majority of BCBSRI plans do not currently have lifetime or annual limits on essential health benefits.***

2. Dependent Coverage to Age 26

For health plans renewing on or after September 23, 2010,* young adults can be added to their parent's employer-based plan until their 26th birthday. They will receive coverage whether or not they:

- Are married
- Are students
- Live with their parents
- Are financially dependent on their parents
- Are eligible for coverage through their own employer

However:

- If they are married, their spouses cannot be covered.
- Their children (the parents' grandchildren) are not eligible for this coverage.

> ***All fully insured groups that provide dependent coverage must adopt this mandate.***

> ***Coverage remains effective until the first of the month following the dependent's 26th birthday.***

> ***Please note: Your employees will receive an application to enroll their child(ren), which they will provide to you for submittal to BCBSRI.***

3. Preventive Care Coverage

Health plans must provide full coverage for many preventive services with no cost sharing (copayments or deductibles) when received from in-network providers. This goes into effect upon renewal on or after September 23, 2010.*

Preventive care is healthcare that is aimed at screening for and prevention of disease, and includes services such as:

- Annual exams and well-child visits
- Flu shots and other immunizations
- Blood tests
- Other screenings such as mammograms, Pap tests, colonoscopies, etc.

> ***All fully insured groups must adopt these preventive services coverage requirements.***

> ***When state law is more generous than the federal mandates regarding coverage for preventive services, state law takes precedence.***

4. Small Business Tax Credit

By providing this tax credit, the federal government will help small businesses offset the cost of providing health benefits to their employees.

To qualify for this tax credit, small businesses must:

- Have 25 or fewer full-time employees
- Pay at least 50 percent of their employees' health insurance premiums
- Have an average wage of less than \$50,000

Here's how the tax credit works:

- For tax years beginning in 2010 and through 2013, the tax credit is up to to 35 percent (25% for tax exempt employers) of either the contribution the employer made to pay their employees' premiums or an amount set by the U.S. Department of Health and Human Services (HHS),

whichever is less. The amount of the credit depends on the number of employees and the average wage paid by the employer, with the maximum credit available to an employer with 10 or fewer employees earning an average wage of \$25,000.

- Beginning in 2014, the tax credit will increase to 50 percent (35% for tax exempt employers) of either the employer's premium contribution or an amount determined by HHS, whichever is less.
- Employers can take the tax credit each year from 2010 to 2013.
- Starting in 2014, employers can only receive the credit for two consecutive taxable years.

For more information, go to **IRS.gov** and search for Affordable Care Act.

5. Early Retiree Reinsurance Program

The Early Retiree Reinsurance Program was created to provide financial relief to employers so that they can maintain health coverage for retirees who are between the ages of 55 and 64. The federal government has set aside \$5 billion for this temporary program, which will end when the funding is exhausted or as of January 1, 2014, when early retirees can seek coverage through health insurance exchanges.

Here's a snapshot of how the program works:

- Employers and union health plans must apply and be accepted into the program through the HHS.
- Once qualified, they will be eligible to receive payments of up to 80 percent for healthcare claims that are between \$15,000 and \$90,000.
- Payments will be paid based on healthcare claims arising from early retirees, their spouses, and their dependents.
- This program is not available to small businesses (50 or fewer employees), which

are not permitted to cover early retirees under state law.

- Healthcare claims that qualify for payments include medical and hospital services, prescription drugs, mental health services, and other benefits specified by the HHS.
- Payments can be used only to offset increases to an employer's premiums or costs or to reduce members' out-of-pocket costs.
- For more information on this program, please go to **errp.gov**.

To help an employer take advantage of this program, BCBSRI will provide information to support the employer's application and assist accepted plans with the filing of claims. Supporting documents can be found on the BCBSRI.com employer home page.

> ***Important note: Employers should inform their broker or account representative once HHS approves their application for the program. BCBSRI will then provide employers with an agreement regarding the process for generating claims information.***

6. Grandfathering

PPACA allows some health plans that were effective on March 23, 2010 to be "grandfathered." Grandfathered status would exempt these plans from certain (but not all) requirements of PPACA.

> ***BCBSRI will not implement "grandfathering" for fully insured groups.***

Other healthcare reform resources:

- Go to the employer or broker home page on **BCBSRI.com** and click on "Healthcare Reform and Mental Health Parity Overview." Use the links to find additional information on healthcare reform.
- Go to healthcare.gov.
- Call your broker or BCBSRI Account Representative.

What BCBSRI Is Doing

We are looking carefully at all of our health plans to make sure they comply with the new healthcare reform law. We are also working closely with employers to provide detailed information and updates. We encourage you to talk to your broker or BCBSRI Account Representative if you have any questions about healthcare reform.

You can also learn more on the federal government's website, healthcare.gov.

*Coverage for preventive services must be in effect on the first plan year beginning on or after September 23, 2010. "Plan year" means the date specified in the group health plan's plan document or, if no plan year is specified, the deductible or limit year, or if there is no deductible or limit year, the policy year. Because BCBSRI does not collect plan year information, we assume that each group health plan's plan year coincides with the BCBSRI renewal date.