

EARLY RETIREE REINSURANCE PROGRAM (ERRP)

ERRP Client Alert

Effective June 1, 2010, the Patient Protection and Affordable Care Act ("PPACA") includes a temporary program for reimbursement to participating Plan sponsors who provide health coverage to "Early Retirees".

Under the program, Plan sponsors who have been certified by the Secretary of Health and Human Services (HHS) may receive reimbursement of 80% of the claims costs incurred for each eligible retiree for health benefits over \$15,000, but not exceeding \$90,000, during the Plan Year.

Officials at HHS have acknowledged that the \$5 billion in appropriated funds could well run out before the program's expiration date of January 1, 2014.

When evaluating participation in this program, a Plan Sponsor should consider the following:

Who Are "Early Retirees"?

- "Early Retirees" are participants in an employer sponsored Group Health Plan who meet the following requirements:
 - are age 55 or older;
 - are not active employees; and
 - are not eligible for Medicare

For purposes of this program, "Early Retirees" shall also include the spouse and other dependents of the retiree, regardless of the dependent (s) age and Medicare eligibility.

Does the employment-based Group Health Plan provide health benefits to "Early Retirees"?

- **No** – If "No", no further action is required. Your Plan is not eligible for the Early Retiree Reinsurance Program.
- **Yes** – If "Yes", and the Plan wants to participate in ERRP, follow the program requirements below.

BAS will assist the Plan Sponsor in verifying program participants at no additional cost to the Plan. BAS can conduct a cost benefit analysis to determine if the application process is beneficial; an analysis fee will apply. If the Plan Sponsor is certified by HHS and can begin to submit claims for reimbursement a monthly fee, per "Early Retiree" will apply.

What are the Program Requirements?

Application - An application must be filed with and certified by HHS before a Plan Sponsor may submit actual claims for reimbursement.

NOTE: In order to be considered, applications must be submitted correctly and in a timely manner. Rejected applications will go to the end of the line for re-submission.

It is anticipated that applications will be accepted beginning June 30, 2010.

Attached is a Draft Application that has not yet been finalized by HHS, as well as the Plan Sponsor Application Instructions. The final version of the application is expected shortly.

Application Requirements:

Part I — **Plan Sponsor & Key Personnel Information**

Part I requires general Plan Sponsor information such as name, address, EIN etc., along with a confirmation of who the Plan Sponsor's Authorized Representative and Account Manager will be for the application process.

Part II — **Plan Information**

Section A - Plan Information.

Section A includes Plan Information such as Plan Name, and Plan Year.

Section B—Benefit Option

In Section B, the Plan must complete information identifying the Benefit Option(s) for which they are requesting reimbursement.

Section C - Programs & Procedures for Chronic & High Cost Conditions

Section C requires the Plan to confirm it has programs and procedures in place that have generated or have the potential to generate cost savings for Plan participants with chronic and high cost conditions. Chronic and high cost conditions are defined as conditions for which \$15,000 or more in health benefit claims are likely to be incurred, during a Plan Year, by one Plan Participant. The chronic and high cost conditions will need to be identified and the programs and procedures summarized.

Section D—Estimate Amount of ERRP Reimbursements

Section D requires the Plan to estimate the projected amount of proceeds the Plan expects to receive under the Early Retiree Reinsurance Program for each of the first two Plan Year cycles.

Section E—Intended Use of ERRP Reimbursements

Section E requires a summary on how the Plan intends to use the reimbursement received to reduce costs for the Plan sponsor. Reimbursements may be used to reduce a combination of any costs such as:

- Premium costs;
- Premium contributions;
- Co-payments;
- Deductibles;
- Coinsurance; or
- Other out-of-pocket costs for Plan participants.

Part III – Banking Information for Electronic Funds Transfer

Requires detailed banking information to be used for electronic funds transfer set-up.

Part IV – Plan Sponsor Agreement

The Plan Sponsor Agreement includes various items in which the Plan Sponsor must agree and attest to.

Additional information can be found at: <http://www.hhs.gov/ocio/regulations/index.html>

Plan Administrator

Please contact your Account Executive for additional information.

BAS will continue to analyze the legislation, on behalf of our clients, and advise additional clarifications as they become available.

HHS Documentation Not Yet Finalized—

In the near future, HHS will announce instructions detailing the manner and timing for submitting claims data and reimbursement requests.