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Sebelius Addresses Retiree Reinsurance Program

HHS Secretary Kathleen Sebelius posted a fact sheet to a White House blog on the early retiree reinsurance program included in the Patient Protection and Affordable Care Act (PPACA). This reinsurance program is one of the first significant parts of the health reform law to be implemented, and has already garnered considerable employer interest.

Background

PPACA includes a retiree reinsurance program for early retirees (pre-Medicare) and dependents under which employers can receive 80% of the costs of health claims between $15,000 and $90,000 per year. The program, which goes into effect June 21, 2010 and ends on the earlier of January 1, 2014 or when the allocated $5 billion in funding is expended, is intended to help defray the cost of early retiree programs until insurance exchanges become available in 2014. The fact sheet posted by Secretary Sebelius provides an overview of the program, with some limited new information.

Fact Sheet

The fact sheet confirms that the program will be available to self-funded and insured plans sponsored by private entities, state and local governments, nonprofits, religious organizations and unions. Eligible services include medical, surgical, hospital and prescription drug costs for "early retirees" and their spouses, surviving spouses and dependents. According to the fact sheet, an early retiree is an individual age 55 or older who is not an active employee or eligible for Medicare. Applications will be available in June, and the application process is expected to be similar to that under the current Retiree Drug Subsidy (RDS) program. A plan must implement programs and procedures that generate cost savings for participants with chronic and high cost conditions. Significantly, the fact sheet states that "plans must use these proceeds to lower health care costs for enrollees (e.g., premium contributions, copayments, deductibles, etc.)."

> ***BUCK COMMENT.*** *PPACA states that "payments may be used to reduce premium costs" for the employer "or to reduce premium contributions, co-payments, deductibles, co-insurance, or other out-of-pocket costs for plan participants." If the use of the funds is limited as indicated in the fact sheet, it would make this program less attractive to plan sponsors.*

Conclusion

Employers should start to consider the process required to collect and report the required claims data for the retiree reinsurance program. Buck's consultants are available to further discuss this program with you, or any other aspect of the health reform law.

This FYI is intended to provide general information. It does not offer legal advice or purport to treat all the issues surrounding any one topic.