



For your information

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Early Retiree Reinsurance Program Funds Exhausted

The ERRP Center announced on February 17, 2012 that requests for reimbursement exceeded the \$5 billion funding allocation. As of January 19, 2012, \$4.73 billion in payments had been made, and reimbursement requests were being processed for the balance of the funds. CMS also issued guidance that stated that plan sponsors are expected to use ERRP funds as soon as possible, but no later than December 31, 2014.

Background

The Patient Protection and Affordable Care Act (PPACA) created the Early Retiree Reinsurance Program (ERRP) for early retirees and their dependents. Under the ERRP, employers can receive reimbursement of 80% of the costs of health claims between \$15,000 and \$90,000 per year for each eligible early retiree or dependent. PPACA allocated \$5 billion to fund the ERRP. The program, which was intended to help employers maintain early retiree programs until insurance exchanges become available in 2014, went into effect June 1, 2010. It was to end on the earlier of January 1, 2014 or when the \$5 billion was expended.

ERRP Funds Exhausted

The ERRP Center [announced](#) that the \$5 billion of allocated funds is exhausted, either through payments already made or reimbursement requests in process as of January 19, 2012.

The ERRP Center honored reimbursement requests in the order received. Reimbursement requests processed after all ERRP funds are disbursed will be held and honored in the order received if additional funds become available. Plan sponsors are now being notified by email that their requests are on hold. The ERRP Center will provide the account manager or authorized representative with information on the plan's position in the reimbursement queue. Additional funds could become available as a result of audits, the failure of plan sponsors to submit a full-replacement claim list for all submissions by March 30, 2012, and other claim submission adjustments.

COMPLIANCE ALERT: Plan sponsors must submit an error-free, full-replacement claim list that passes the ERRP automated edits (implemented in October 2011) by March 30, 2012 for each plan year for which ERRP funds were reimbursed. Otherwise, any ERRP funds paid to the plan sponsor for that year will be recouped.

Use of ERRP Funds

PPACA did not provide a specific deadline by which plan sponsors were required to use ERRP funds. CMS updated its ERRP [Common Questions](#) on February 17, 2012 to state that plan sponsors are expected to use ERRP reimbursement funds as soon as possible, but no later than December 31, 2014.

COMPLIANCE ALERT: Now that the ERRP disbursements are ending, plan sponsors using ERRP funds to reduce their health insurance costs should begin documenting their satisfaction of the maintenance-of-contribution requirement.

Conclusion

Because ERRP funds are exhausted and the requirement to use these funds as soon as possible, plan sponsors should prepare documentation of the use of ERRP funds and satisfaction of the maintenance-of-contribution requirement.

Buck Can Help

- Ensure that the required claim listings are submitted by the March 30, 2012 deadline
- Prepare plan sponsor documentation on the proper use of ERRP funds
- Assist with the response to a CMS audit

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.
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