

Grandfathered Plans – Health Care Reform

(Updated 11/18/10 – please see www.hhs.gov)

As of 11/15/2010, federal regulators announced changes that allow employers to change insurance carriers for group plans without automatically forfeiting grandfathered status.

What is a grandfathered plan?

Plans that provided coverage on or prior to March 23, 2010, are grandfathered. The law allows grandfathered plans to continue their normal operations without losing their grandfathered status.

If eligible under the grandfather provision, what is your plan exempt from?

If grandfathered, your health care plan is exempt from some of the Health Care Reform requirements, including:

- covering preventive health services at no cost to plan participants
- prohibiting health benefits that favor highly compensated employees
- providing appeals and external review procedures
- covering emergency services without authorization
- providing essential benefits without any cost sharing for those benefits
- providing individual with the choice of a primary care physician and allowing females to choose gynecologist or obstetrician without referral
- coverage of routine patient costs for clinical trials of life-threatening diseases, starting in 2014
- providing annual reports to the Secretary of Health and Human Services regarding healthcare quality and wellness programs

What changes will result in the loss of grandfathered status?

- Reducing or cutting benefits
- Raising coinsurance percentages
- Increasing co-pay charges more than \$5 or a percentage equal to medical inflation plus 15 percentage points
- Raising deductibles and out-of-pocket limits by a percentage equal to medical inflation plus 15 percentage points
- Decreasing the percent of premiums the employer pays by more than 5 percentage points
- Adding or tightening an annual limit on what the insurer pays
- Buying or merging with another plan or company to avoid complying with Health Care Reform laws
- Moving employees to a plan with lesser benefits

What changes will not result in the loss of grandfathered status?

- Switching insurance carriers, as long the plan will not face one of the abovementioned changes that will remove grandfathered status (*as of 11/15/2010*)

- Adding or canceling employees or family members from the plan
- Changes to comply with federal or state laws
- Premium adjustments to keep pace with medical inflation
- Changing third-party administrators
- Changes to voluntarily comply with the health care reform law

For plan years that begin on September 23rd 2010 or later, all plans (Grandfathered and Non-Grandfathered Plans) must be amended to:

- Remove annual and lifetime limits on essential benefits
- Require coverage of dependents to age 26.
- Eliminate rescissions of insurance coverage.
- Prohibit pre-existing condition exclusions for participants under 19.
- Disallow reimbursements to FSAs, HSAs, and HRAs for over-the-counter medicines and drugs, unless prescribed by a physician.
- Provide mandatory rebates if plan does not meet required medical loss-ratio

If you need more information, please contact Department of Labor or visit the following sites:

www.healthcare.gov

www.hhs.gov

www.dol.gov

Note: *This notice is for **informational purposes only** and it is subject to change without notice.*