

Early Retiree Reinsurance Program

The recently enacted Health Care Reform Law (Affordable Care Act) provides \$5 billion in financial assistance for The Early Retiree Reinsurance Program. This program helps employer plans and individuals maintain coverage for early retirees age 55 and older who are not yet eligible for Medicare. Employers can use the savings to either reduce their own health care costs, lower premiums for their employees and families or a combination of both.

This is a temporary program. It begins on June 1, 2010 and continues until January 1, 2014 (when other insurance options, such as the health insurance exchanges, become available).

Employers who are accepted into the program will receive reinsurance reimbursement for medical claims for retirees age 55 and older who are not eligible for Medicare, and their spouses, surviving spouses and dependents.

Health benefits that qualify for this assistance include medical, surgical, hospital, prescription drug, mental health services and other benefits that may be specified by the Secretary of Health and Human Services.

The amount of reimbursement to the employer plan is up to 80 percent of claims costs for health benefits between \$15,000 and \$90,000. Claims incurred between the start of the plan year (often January 1) and June 1st are credited toward the \$15,000 threshold for reimbursement, but only medical expenses incurred after June 1, 2010 are eligible for reimbursement under this program.

For example: An employee incurs costs of \$30,000 between the start of the plan year and June 1, and \$40,000 after that date. The amount the employer may be reimbursed is 80 percent of \$40,000 or \$32,000: the costs above the \$15,000 threshold that occur after June 1.

If a plan incurs \$15,000 or more in expenses from the beginning of its plan year and before June 1, it has met the \$15,000 threshold and is eligible for reimbursement for costs incurred after June 1.

These limits apply to and claims are filed for costs incurred by individual retirees only. Employers cannot add two or more individuals together to attain the threshold.

How Do Employer Plans Apply for the Program?

Eligible employers can apply for the program through the Department of Health and Human Services. Applications will be available by the end of June. Both self-funded and insured plans can apply for the reimbursement, including plans sponsored by private entities, state and local governments, nonprofits, religious entities, unions and other employers.

To receive assistance, plans must have their applications approved, document claims, and implement programs and procedures that have or have the potential to generate cost savings for participants with chronic and high-cost conditions. Plans also will be subject to audits to assure fiscal integrity.

For more information, please visit these Web sites:

Department of Labor: www.dol.gov/ebsa/healthreform/

Department of Health and Human Services: www.healthreform.gov

The White House: www.whitehouse.gov/healthreform