CLIENT ALERT

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ON JUNE 14, 2010, the **U.S. Departments of Health and Human Services, Labor, and Treasury Issued Regulations on "Grandfathered" Health Plans under the Affordable Care Act**

While the Act requires all health plans to provide important new benefits to employees, under the law, plans that existed on March 23, 2010 are exempt from some new requirements. These "grandfathered" plans will be able to make certain changes without losing their grandfathered status.

Compared to the polices in effect on March 23, 2010, grandfathered plans:

- **Cannot Significantly Cut or Reduce Benefits**
- **Cannot Raise Co-Insurance Charges.**
- **Cannot Significantly Raise Co-Payment Charges.** Compared with the co-pays in effect on March 23, 2010, grandfathered plans will be able to increase those co-pays by no more than the greater of $5 (adjusted annually for medical inflation) or a percentage equal to medical inflation plus 15 percentage points.
- **Cannot Significantly Raise Deductibles.** Compared with the deductible required as of March 23, 2010, grandfathered plans can only increase these deductibles by a percentage equal to medical inflation plus 15 percentage points. In recent years, medical costs have risen an average of 4-to-5% so this formula would allow deductibles to go up, for example, by 19-20% between 2010 and 2011, or by 23-25% between 2010 and 2012. For a family with a $1,000 annual deductible, this would mean if they had a hike of $190 or $200 from 2010 to 2011, their plan could then increase the deductible again by another $50 the following year.
- **Cannot Significantly Lower Employer Contributions.** Grandfathered plans cannot decrease the percent of premiums the employer pays by more than 5 percentage points
- **Cannot Add or Tighten an Annual Limit on What the Insurer Pays.** To retain their status as grandfathered plans, plans cannot tighten any annual dollar limit in place as of March 23, 2010. Moreover, plans that do not have an annual dollar limit cannot add a new one unless they are replacing a lifetime dollar limit with an annual dollar limit that is at least as high as the lifetime limit
- **Cannot Change Insurance Companies.** If an employer decides to buy insurance for its workers from a different insurance company, this new insurer will not be considered a grandfathered plan. This does not apply when employers that provide their own insurance to their workers switch plan administrators or to collective bargaining agreements.

Information taken from - www.healthreform.gov/newsroom/keeping_the_health_plan_you_have.html

These are interim rules and subject to change...

How does the loss of grandfathered status affect you?

Once a plan loses grandfathered status additional provisions will apply. In general, these provisions are enhancements to the plans, which will please your employees but most experts agree will also increase your premium rates.

	Grandfathered Plans	Non Grandfathered Plans
No Lifetime Limits	Applies	Applies
Extension of coverage for children to age 26	Applies if children do not have coverage available to them from an employer	Applies – regardless of availability of other coverage
Extension of coverage for children to age 26 in 2014	Applies – regardless of availability of other coverage	Applies – regardless of availability of other coverage
Waiving of Pre-Existing Conditions for Children	Applies	Applies
No restricted Annual Limits	Applies	Applies
Coverage of certain Preventive Procedures with no Cost Sharing	Waived	Applies
Bans discrimination in favor of Highly Compensated Individuals	Waived	Applies

This Client Alert is informational only and is not meant as legal or compliance advice.

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