

Federal Health Care Reform – Grandfathered Plan Guidance

On June 14th, The Department of Health & Human Services (HHS) released guidance on what will qualify as a “Grandfathered Plan” under Health Care Reform.

According to the new rules, employers risk losing their grandfathered status if they:

- Significantly cut or reduce benefits
- Raise co-insurance amount (for example, if your plan currently pays 90% of the cost after deductible, it will need to continue this percentage)
- Significantly raise co-payment charges (grandfathered plans are allowed to raise copayments by \$5 adjusted annually for medical inflation)
- Significantly raise deductibles (grandfathered plans can raise the deductible by 15% plus the medical inflation percentage)
- Significantly lower employer contributions (grandfathered plans cannot decrease the employer percentage of costs by more than 5%)
- Add or tighten an annual limit on what the insurer pays
- Change insurance companies (This applies to fully-insured plans and does not apply to self-insured companies changing plan administrators)

If a plan loses its grandfathered status, then the plan will need to comply with additional requirements including:

- Coverage of adult children to age 26, even if eligible for coverage through the child’s employer. This differs from grandfathered plans in that grandfathered plans can decline coverage if the child is married or is eligible for coverage through his/her employer until 2014.
- First dollar coverage of preventive services
- Nondiscrimination rules apply to insured plans
- New appeals standards (including external appeal rights) yet to be established
- Plan cannot require preauthorization for OB/GYN care
- Plan with a gatekeeper feature must allow individual to select any participating primary care physician

The regulations require that a plan disclose to members every time it distributes materials whether the plan believes that it is a grandfathered plan and therefore is not subject to some of the additional consumer protections of the Affordable Care Act.

More information on Health Care Reform will be released in the coming weeks and we will share with you as it is received. As always we are available to consult with clients and assist them in their compliance efforts. Please don’t hesitate to contact us with any questions or concerns.



**BLUFF HEAD
ENTERPRISES, INC.**

105 Main Street
Wakefield, RI 02879

Phone: 401-782-1250
Fax: 401-789-3867

Email: sslade@bluffhead.com