



Health Care Reform: Early Retiree Reinsurance Program

In an effort to make health benefits more affordable for plan participants and sponsors, the Affordable Care Act included a retiree reinsurance program. With this program, employers providing group health coverage to early retirees may apply for reimbursement for up to 80% of the costs incurred and paid (actual claims paid) between \$15,000 and \$90,000 during the plan year. The funds made available for these reimbursements as part of the Affordable Care Act are limited to \$5 billion total and are available on a first come, first served basis. The funds are available until exhausted or until January 1, 2014, whichever occurs first. Employers who may qualify for reimbursement should prepare to submit applications quickly since the funds are expected to be exhausted very quickly.

Early Retirees: Early retirees are participants in an employer-sponsored health plan age 55 or older, not active employees, and not eligible for Medicare. This includes spouses and other dependents of the retiree regardless of their age and Medicare eligibility.

Employer Requirements: To be eligible, an employer's plan must include provisions that generate cost savings for participants with chronic and high-cost conditions, such as disease management services. The employer must maintain policies and procedures to detect and reduce fraud, waste and abuse. There must be a written agreement in place permitting required disclosures between the plan, insurer and employer.

How to Apply: Employers must submit an application for each plan year they sponsor to the Department of Health and Human Services (HHS). Although the application is not available yet, a draft application has been made available that employers may use to prepare for the final application. The final version of the application, which employers may complete and submit to HHS, is expected to be available at the end of June.

As part of the application process, employers will be required to estimate the amount of claims that will be reimbursed under the program for the first two plan years and must state how the reimbursements will be used to reduce premiums and out-of-pocket expenses for participants, reduce benefit and premium costs for the employer, or both. Employers are required to maintain their current level of contributions rather than using the reimbursements to reduce costs solely for the employer.

Employers who may be eligible for reimbursement should review the following resources in the KTB HR Library:

1. FACT SHEET: The Affordable Care Act's Early Retiree Reinsurance Program (www.healthreform.gov/affordablecareact.html)
2. Early Retiree Reinsurance Program Application FAQs
3. Early Retiree Reinsurance Program Application Instructions
4. Early Retiree Reinsurance Program Application

In response to the Patient Protection and Affordable Care Act and the Health Care and Education Tax Credit Reconciliation Act, collectively known as Health Care Reform, Kistler Tiffany Benefits has formed a Health Care Reform committee to monitor legislation and provide guidance to our valued clients. Our team is creating user-friendly tools and resources, as well as establishing best practices for our clients in regards to the application of this legislation. For more information regarding our services, please contact us at reform@ktbenefits.com.