



Insurance

Risk Management

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## Health Care Reform Update

***Harden is working diligently to keep you up-to-date with the current state of healthcare reform. We are currently assessing the short-term and long-term impacts on employers health programs and will keep you advised as to the requirements and considerations for your business. We continue to be your knowledge provider, bringing you timely and relevant information.***

You may be aware the Departments of Health and Human Services, Labor, and Treasury jointly issued interim final rules on what can cause a plan to lose its "grandfathered" status under the new Patient Protection and Affordable Care Act.

In short, the following will cause a plan to lose its grandfathered status:

- Eliminating benefits - eliminating all or substantially all benefits to diagnose or treat a particular condition
- Raising Co-Insurance charges - increasing a percentage cost-sharing requirement
- Raising Co-Pays "significantly" - increasing co-pays by more than the greater of \$5 or a percentage equal to medical inflation + 15% (approximately 25% total)
- Raising fixed amount cost sharing "significantly" - increasing deductibles or out-of-pocket limits by more than a percentage equal to medical inflation + 15% (again, about 25% total)
- Lowering employer contributions "significantly" - decreasing the percentage of plan costs paid by the employer by more than 5%
- New or decreased annual limits - adding or tightening any annual dollar limit currently in place
- Changing insurance companies

Keep in mind that the cost of losing "grandfathered" status may be, and probably will be, relatively low. So, it is likely that the cost savings you might achieve by taking an action that causes you to lose grandfathered status will be greater than the additional cost of implementing the changes required for non-grandfathered plans.

For example, let's say we get a great proposal from AvMed and move the plan to them because their proposal is 15% less cost than Humana's renewal. We would lose our grandfathered status because we changed insurance companies, but the cost of implementing the changes required of non-grandfathered plans (no co-pays on wellness, participation in clinical trials, enhanced appeals process, etc.) will likely be less than 15% of plan costs, so it would make more sense to move the plan and give up grandfathered status.

There will undoubtedly be many questions raised as a result of these interim final rules, but we wanted you to be aware of them and their potential impact on your plan.

We have attached an analysis of the Interim Final Rules for your review and will continue to provide further information as it becomes available.

In the meantime, if you have any questions, please contact your Harden Account Manager.

*The language contained in the bill is complex and lacks detailed regulatory provisions required to understand the full impact. We know that you have questions about how this new law will affect your current plan and what you need to do to comply with the new law. We are here to answer your questions and to help you prepare to meet the new requirements. We are only at the beginning of the process, and we will strive to provide you the most up-to-date and timely information as the process moves forward.*