

Impact of Health Care Reform on Grandfathered Health Plans

Background

The health care reform law makes many changes to group health plans but it also exempts health plans that were in existence on March 23, 2010 (grandfathered health plans) from some of these reform requirements. The recently-released regulations define a "grandfathered health plan" as health coverage provided by a group health plan or an insurance carrier in which an individual was enrolled on March 23, 2010. The grandfather status of the coverage is maintained as long as the plan continuously covers at least one person from that date. However, grandfather status is generally determined separately for each benefit option, so a plan may have some options that are grandfathered and some that are not.

What will not affect a health insurance plan's grandfather status?

- The renewal of a health insurance plan in effect on March 23, 2010
- The enrollment of family members of an enrolled individual, or new employees
- Changes in total premium cost paid by employer and employee
- Changes to comply with state or federal laws
- Changes in third party administrator

What will result in a loss of the plan's grandfather status?

- Change in insurance policy or carrier
- Elimination of all, or substantially all, benefits to diagnose or treat a particular condition
- Increase in percentage cost sharing requirement (i.e. coinsurance) above the level at March 23, 2010
- Increase in fixed amount cost sharing requirements (other than co-payments) by more than the increase in the medical inflation component of CPI-U since March 23, 2010 plus 15 percentage points
- Increase in co-payments by an amount that exceeds the greater of: (1) a total percentage that is more than medical inflation measured from March 23, 2010 plus 15 percentage points, or (2) \$5, increased by medical inflation measured from March 23, 2010
- Decrease in employer's contribution rate to premiums by more than five percentage points below the contribution rate on March 23, 2010
- More restrictive overall annual or lifetime dollar limits

Notice and record retention requirements

Grandfathered plans must notify participants of their grandfather status and provide contact information for questions and complaints as part of their plan materials describing benefits, in order to retain their grandfather status. Furthermore, the regulations require plans to maintain records documenting the terms of the plan in effect on March 23, 2010 and any other document(s) necessary to support that the plan has maintained grandfather status.

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