Health Care Reform and Grandfathering Plans

Under the new health care reform law called the Patient Protection and Affordable Care Act (PPACA), health plans in existence on March 23, 2010 may be eligible for "grandfathered" status.

Generally, your plan is considered to be "grandfathered" if you continue to offer the same benefit plan in which your employees were enrolled on March 23, 2010, with adjustments only for enhanced benefits as required by PPACA or other state or federal law.

All plans will be adjusted to include the following enhancements beginning on or after September 23, 2010 regardless of whether the plan is or is not "grandfathered".

- Allowing members to add dependents up to age 26 regardless of student status in accordance with the terms of the plan
- Eliminating lifetime limits on policies
- Removing pre-existing exclusions for members under 19
- Adjust certain other annual limits on policies
- In-network preventive care cover at 100%

If certain changes in coverage are made after the law's effective date, the plan will not be a grandfathered plan.

Keeping grandfathered status:

According to interim final rules, there is some flexibility to modify a plan without losing the grandfathered status. This includes:

- Changes to comply with federal or state laws
- Routine changes like cost adjustments to keep pace with medical inflation, adding new benefits and making modest adjustments to existing benefits
- Changes to voluntarily comply with the health care reform law
- Add family members of an individual who is enrolled in a plan
- Add new employees of an employer who is enrolled in a plan
- Remove one or more individuals enrolled on March 23, 2010 from coverage (provided that the plan or coverage has continuously covered someone since March 23, 2010)

Losing grandfathered status:

The following changes to a plan will result in the loss of a grandfathered status:

- Eliminating all (or substantially all) benefits to diagnose or treat a particular condition
- Increasing coinsurance by any amount above the level set on March 23, 2010
- Increasing fixed amount cost sharing (other than copays) more than the sum of medical inflation plus 15 percentage points from the level of March 23, 2010
- Increasing copays by an amount that exceeds the greater of

    - (1) a total percentage (measured from March 23, 2010) that is more than the sum of medical inflation plus 15 percentage points, or
    - (2) $5 multiplied by medical inflation, plus $5
- Reducing employer or employee organization contributions based on the cost of coverage or a formula by more than 5 percentage points below the contribution rate on March 23, 2010
- Ensuring that consumers switch to a grandfathered plan that, compared with the current plan, has fewer benefits or higher cost sharing as a means of avoiding new consumer protections
- Buying or merging with another plan to avoid complying with the health care reform law

If grandfathering is important to you, please consider the information above and review options carefully. RGEB Employee Benefits is providing this summary to assist you with your decisions.

If you have any questions or would like more information please contact RGEB Employee Benefits at 818-444-7722. As always we are here to assist you with all your employee benefits.

The summary of these PPACA regulations, provided by RGEB Employee Benefits, is based on current legislation and is still subject to change. Please remember to seek professional employee law counsel prior to making any changes in your employee benefit plans.