Benefits Bulletin

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Health Care Reform Open Enrollment Compliance Checklist

Health care reform brings many changes for employers and their health plans. Many changes take effect on the first day of the first plan year beginning on or after September 23, 2010, or January 1, 2010, for calendar plan years. Review this compliance checklist in advance of the 2011 plan year and open enrollment season.

Grandfathered plan status
Determine if you have a grandfathered plan:

- A grandfathered plan is one that was in existence when health care reform was enacted on March 23, 2010, and is exempt from some of the health care reform requirements.
- If you make certain changes to your plan that go beyond permitted guidelines, your plan is no longer grandfathered.

Plan amendments for all plans
Plan sponsors should take the following actions prior to the first day of the plan year beginning on or after Sept. 23, 2010:

- Amend plans to cover dependents up to age 26.
- Amend plans to eliminate lifetime limits on essential benefits and to provide that individuals who previously reached the lifetime limit under the plan and who are otherwise eligible for coverage may re-enroll in the plan.
- Amend plans to either eliminate or restrict annual limits on essential benefits.
- Amend plans to eliminate pre-existing condition exclusions for children under age 19.
- Amend plans that include tax-advantaged medical accounts, such as FSAs, HSAs, HRAs, or Archer MSAs, to reflect new requirements.
- Amend plans to incorporate new rules regarding rescissions.

Plan amendments for non-grandfathered plans only
Plan sponsors of non-grandfathered plans should also take the following actions prior to the first day of the plan year beginning on or after Sept. 23, 2010:

- Amend plans to cover recommended preventive services with no cost-sharing requirements.
- Establish an effective claims appeal process by amending current claims procedures to incorporate new definitions and requirements.
- Amend fully-insured plans to eliminate impermissible discrimination in favor of highly compensated employees.
- Amend plans to include patient protections.

Special enrollment opportunities:

- Provide a 30-day special enrollment opportunity (and notice) to adult children eligible for coverage under the age 26 rule.
- Provide a 30-day special enrollment opportunity (and notice) to individuals who have reached the lifetime limit under the plan but are otherwise eligible for coverage.

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Participant notices:

If you have a grandfathered plan, you must include information about the plan's grandfathered status in the plan materials describing coverage under the plan, such as summary plan descriptions and open enrollment materials. This information must inform participants that the plan is not subject to some of the consumer protections of the health care reform law. Model language is available regarding this requirement.

There are a number of other health care reform provisions that require notices to be provided to plan participants. Model notices are available for some of these notices at www.dol.gov/ebsa/healthreform/.

Employers should make sure they are prepared to provide the following notices prior to the first plan year beginning on or before Sept. 23, 2010, unless another deadline is noted:

- Notice that eligibility for dependent coverage has been extended for children up to age 26.
- Notice that participants affected by a lifetime limit (including former participants who are otherwise eligible for coverage) that the lifetime limit no longer applies to them and they are eligible for a special enrollment opportunity if no longer enrolled in the plan.
- Notice to participants in non-grandfathered plans regarding the patient protections that are available.
- Prior to Jan. 1, 2011, notice should be provided to employees that over-the-counter medication and drugs (except insulin) may only be reimbursed through medical account plans with a prescription.

Going forward, plans will be required to provide certain notices to plan participants, including the following:

- Written notice of any rescission must be provided at least 30 days in advance.
- Non-grandfathered plans must provide a culturally and linguistically appropriate notice to participants regarding the new appeals process and their options for assistance.

Please contact your JM Brassill Group Inc. representative with any questions regarding this guidance.

2010 Health Care Reform Survey Results

There is no doubt that the health care reform legislation is having a large impact on employers across the nation. As provisions start to take effect, this impact continues to become more clear. How are other employers reacting to and coping with the changes? Take a look at the 2010 Health Care Reform Survey preliminary results.

This survey was recently offered on the client portal and close to 2,500 employers participated. Preliminary findings include:

- In 2014, employers with more than 50 employees are required to offer minimal essential health coverage to employees or pay a penalty. Approximately three-fourths of employers will definitely or likely continue to offer health benefit coverage to employees once this requirement kicks in.
- Nearly 90 percent of respondents anticipate that health care reform will increase their organization's health benefit costs.
- If health care reform does increase health care benefit costs for the organization, 75 percent of respondents plan to pass the increased cost on to employees by increasing employee premium contributions or total health care costs.

Ask your broker for full survey results or find them on your client portal later this year.

2011 Health Insurance Cost Predictions

Health care costs for single coverage are projected to range between $9,821 and $10,730 in 2011, the highest in five years, according to surveys conducted by Price Waterhouse Coopers (PWC), Hewitt Associates, Towers Watson, Mercer and the Segal Group, Inc. The amount employees will be asked to contribute toward this cost is 22.5 percent, or $2,209, according to Hewitt. That is up 12.4 percent from 2010.

PricewaterhouseCoopers (PwC) reported similar findings: Employers can expect costs to increase by 9 percent in 2011. Many employers are increasing deductibles and replacing copays with coinsurance. Two-thirds of employers intend on expanding or improving upon their wellness programs in 2011 in attempt to curtail high health costs.

According to the Segal Group, Inc., medical plan projections for the majority of managed care plans range from 10.2 to 11 percent. The trend rate for high-deductible health plans (HDHPs) is expected to decrease.

Segal also reported that 78 percent of respondents indicated that the cost impact of compliance with the Affordable Care Act would be an increase of 1.1 percent or more. Medical plan cost trends this year will be more than five times greater than the annual increase in average hourly earnings. Attempting to rein in this increase, many plans have eliminated or greatly reduced coverage for brand-name drug classes while reducing copayments for primary care visits and increasing copayments for visits to specialists. An increasing number of plan sponsors are also monitoring wellness and disease management programs through incentive-based initiatives.

Improve Open Enrollment Communication with Employees

To facilitate employees selecting the plan option that best meets their family's needs, keep the lines of communication open. Employers should provide information about the following:

- A general summary of what benefits are covered by the plan
- Any changes to the plan relating to the health care reform legislation, or otherwise
- Coverage for preventive services, procedures and medications
- Extent of medication coverage, particularly for new drugs
- Cost-sharing (i.e., premium contribution, deductible, copayment or coinsurance requirements)
- Consumer-directed health plans (high-deductible health plans) or other non-traditional plan types

Nine methods that employers can use to improve open enrollment communication strategies are:

1. Communicate frequently with employees regarding their health coverage options, but avoid overwhelming them with information. Give them ample time to absorb new information, ask questions and express concerns.
2. Use simple terms to explain any changes.
3. Thoroughly explain the goals and rationale of health care benefits to managers and business leaders so they can effectively explain health plans to employees.
4. Be ready to answer questions and face challenges from management and employees regarding changes.
5. Be honest and direct when discussing health benefits, especially if employees are facing cost increases for their coverage.
6. Discuss the "5 Cs" of enrollment with employees: **C**ost, **C**overage information, **C**hanges to plans, **C**omparison's to last year's plan and options, and **C**urrent options.
7. Provide information to employees about the health care providers that will be available to them in new or revised plan options.
8. Provide testimonials from other employees about their experiences with changes in health care coverage.
9. Use a variety of methods to communicate with employees; for example, use the Web, printed materials and face-to-face discussions.

Please contact your JM Brassill Group Inc. representative for more information.