

# Changing Your Plan May Mean Losing 'Grandfathered' Status With New Healthcare Reform Rules

Trustmark wants to alert you to a situation that may affect your benefits for your upcoming renewal.



## How does the Patient Protection and Affordable Care (PPAC) Act affect my existing plan?

On March 23, 2010, the PPAC Act was signed into law. There are several benefit changes that are required to take effect for new and renewing plans on or after September 23, 2010, including, but not limited to:

- Removal of lifetime dollar limits on essential health benefits
- Removal of annual dollar limits on essential health benefits
- Coverage for dependents up to age 26, regardless of standard eligibility criteria
- No pre-existing condition limitations for members under age 19
- In 2014, coverage waiting periods must not exceed 90 days

Trustmark has decided to implement the following provisions of the law more broadly than mandated for all new and renewing plans on or after September 23, 2010:

- No prior authorization for emergency room services
- Copay and coinsurance rates for emergency room services performed in- or out-of-network will be the same
- Additional appeal rights and notice requirements may apply

## What is grandfathered status?

This Act also granted certain rights for plans established prior to March 23, 2010, which are referred to as "grandfathered plans." The Act clearly indicates that a grandfathered plan will retain its grandfathered status if employees and dependents are added or removed from coverage for employment-based reasons unrelated to the terms or cost of coverage.

On June 17, 2010, the federal government published interim final rules regarding other plan changes and their effect on a plan's grandfathered status.



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## How does my plan lose its grandfathered status?

Based on the interim final rules, the following events will cause a plan\* to lose its grandfathered status:

- Any increase in the member's coinsurance percentage.
- Any increase in the deductible or out-of-pocket limit that exceeds "medical inflation" plus 15 percentage points, based on the level in effect on March 23, 2010. Medical inflation is defined by referring to the overall medical care component of the Consumer Price Index.
- Any increase in copays above the level in effect on March 23, 2010, by an amount that exceeds the greater of a) the sum of medical inflation plus 15 percent, or b) \$5 times medical inflation plus \$5.
- Any decrease in the employer's contribution rate of more than 5 percent of the contribution rate as of March 23, 2010.
- Any elimination of all or substantially all benefits to diagnose or treat a particular condition (or the elimination of benefits for any "necessary element" to diagnose or treat a condition).
- Employer-driven transferring of employees from one plan to another, if the plan to which the employees are transferred results in the occurrence of any of the above bullets and there was no "bona fide employment-based reason" to transfer the employees. (Note: Changing the terms or cost of coverage is not a bona fide employment-based reason.)
- A merger, acquisition, or similar business restructuring, if the principal purpose of the action is to cover new individuals under the grandfathered plan.
- Plans with effective dates prior to November 15, 2010: Any change in insurance carriers. Plans with effective dates on or after November 15, 2010, a change in insurance carriers will not cause the plan to lose its grandfathered status on its own.
- (1) A decrease in the annual dollar limit in place on March 23, 2010. (2) Imposing an overall annual dollar limit if the plan did not have an overall annual or lifetime dollar limit on March 23, 2010, or (3) Imposing an overall annual dollar limit that is less than the lifetime dollar limit in place on March 23, 2010, if the plan had an overall lifetime limit but not an annual dollar limit on March 23, 2010. (The annual dollar limit on essential health benefits must be the greater of: (a) the lifetime dollar limit in place on March 23, 2010; or (b) \$750,000 for plan years on or after September 23, 2010; \$1.25 million for plan years on or after September 23, 2011, \$2 million for plan years on or after September 23, 2012 and unlimited as of January 1, 2014.)

If plan or policy changes that would cause a plan to lose grandfathered status are made between March 23, 2010, and June 14, 2010, the plan has until the first renewal on or after September 23, 2010, to revoke or modify those changes to maintain grandfathered status.

For example, let's say a plan renews on July 1, 2010. On May 1, 2010, the employer signed an agreement to increase the employee's coinsurance percentage effective July 1, 2010. The plan must revert back to the original coinsurance percentage no later than July 1, 2011.

## What happens if my plan loses its grandfathered status?

If your plan loses its grandfathered status:

- 100% coverage with no annual maximums will pertain for in-network preventive care services.
- In 2014, certain "essential health benefits" (a term to be further defined by federal regulations) must be provided and will be subject to maximum deductibles and out-of-pocket limits dictated by law.
- In 2014, the cost for qualified individuals' participation in approved clinical trials must be covered.

## What if I need to change my plan benefits?

Trustmark understands that considering benefit changes is important to meet the changing needs of your company and your employees. It also helps keep your medical plan affordable.

A plan that loses grandfathered status may cost more since non-grandfathered plans must provide richer benefits, yet losing grandfathered status does give you more freedom in plan design, which could allow you more flexibility in controlling your medical plan costs in the future.

As always, if you have any questions, please contact your Trustmark representative.

\*For collective bargaining agreements, different rules apply.

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