

The Affordable Care Act's Early Retiree Reinsurance Program

Rising health care costs have made it difficult for employers to provide quality, affordable health insurance for workers and retirees while also remaining competitive in the global marketplace. The percentage of large firms providing workers with retiree health coverage has dropped from 66 percent in 1988 to 29 percent in 2009¹. Many Americans who retire without employer-sponsored insurance and before they are eligible for Medicare see their life savings disappear because of exorbitant rates in the individual market. Health insurance premiums for older Americans are over four times more expensive than they are for young adults², and the deductible these enrollees pay is, on average, almost four times that for a typical employer-sponsored insurance plan.³

The Early Retiree Reinsurance Program provides much-needed financial relief for employers, unions and state and local governments so retirees can get quality, affordable insurance. Applications for employers to sign up for this program are available now, and help is available for claims dating back to June 1 for those accepted into the program.

Purpose of the Program: Sustain Quality, Affordable Care for Early Retirees

- The Affordable Care Act provides \$5 billion in financial assistance to employers, unions and state and local governments to help them maintain coverage for early retirees age 55 and older who are not yet eligible for Medicare.
- Employers, unions and governments can use the savings to reduce their own health care costs, provide premium relief to their workers and families, or both.

Access to Reinsurance: What Employers Need to Do

- Employers with self-funded and insured plans can apply, including private companies, state and local governments, nonprofits, religious organizations, unions operating employee benefit plans, and other employers.
- Applications are now available online at www.hhs.gov/ociio along with extensive application assistance materials and information on where to send the applications. Applicants are being accepted as of June 29.
- To participate in the program, employers must have their applications approved, be able to document claims, and implement programs and procedures that have or have the potential to generate cost savings for participants with chronic and high-cost conditions.
- Employers participating in the program will be subject to audits of their health benefit plans to ensure fiscal integrity.

Relief for Businesses, Unions and Governments

- HHS will reimburse medical claims dating back to June 1, 2010 -- three weeks before the statutory deadline for establishing the program. This allows more insurance claims to qualify for reinsurance payments for plans this year.
- Employers that are accepted into the program will receive reinsurance reimbursement for medical claims for retirees age 55 and older who are not eligible for Medicare, and their spouses, surviving spouses, and dependents.
- Health benefits claims that qualify for relief include medical, surgical, hospital, prescription drug, and other benefits that may be specified by the Secretary of Health and Human Services, such as coverage for mental health services.
- The amount of this reimbursement to the employer is up to 80 percent of medical claims costs for health benefits between \$15,000 and \$90,000.¹ Claims incurred between the

¹ For plan years that start on or after October 1, 2011, these amounts will be adjusted each fiscal year based on the percentage increase in the Medical Care Component of the Consumer Price Index for all urban consumers (rounded to the nearest multiple of \$1,000) for the year involved. See 42 U.S.C. §18002(c)(3), 45 CFR §149.115(c).

start of the plan year (often January 1) and June 1 are credited towards toward the \$15,000 threshold for reimbursement. However, only medical expenses incurred after June 1, 2010 are eligible for reimbursement under this program.

- For example: If an individual incurs costs of \$30,000 between the start of the plan year and June 1, and \$40,000 after that date. The amount which may be reimbursed is \$40,000 – the costs above the \$15,000 threshold that occur after June 1.
- If a plan incurs \$90,000 or more in expenses before June 1, it is treated as having met the \$15,000 threshold and is eligible for reimbursement for costs incurred after June 1.
- These limits apply and claims are filed for individual's costs. Employers cannot add two or more individuals together to attain the threshold.

Bridge to 2014

- The Early Retiree Reinsurance Program provides temporary assistance to employers and their early retirees to make the cost of health care coverage and health care more affordable.
- The program ends on January 1, 2014 when early retirees will be able to choose from the additional coverage options that will be available in the health insurance Exchanges.

¹ Kaiser / HRET. *Employer Health Benefits: 2009 Survey*.

² Center for Policy and Research. *Individual Health Insurance 2009*.

³ Kaiser Family Foundation. 2010. *Survey of People Who Purchase Their Own Insurance*.