

Temporary Relief for Insured Group Health Plans: Nondiscrimination Rules Delayed

By Dana Thrasher on January 04, 2011

These group health plan rules continue to confuse and confound. As such, the IRS is delaying the application of the nondiscrimination rules. The nondiscrimination rules for insured group health plans are part of the Patient Protection and Affordable Care Act (PPACA) passed in March of last year. Even before enactment of the PPACA, self-insured group health plans have been required to meet certain nondiscrimination rules which prevent highly compensated employees from receiving a disproportionate benefit. The PPACA now extends similar rules to non-grandfathered insured health plans, and those rules would have been effective on January 1, 2011, for calendar year plans. However, the IRS released in late December, Notice 2011-1, 2011-2 I.R.B., and stated that it will not enforce the nondiscrimination provisions of the PPACA against non-grandfathered insured health plans until the first plan year after it issues detailed regulatory guidance.

We expect that the IRS will issue its substantive regulations later this year, so as a practical matter, the nondiscrimination rules will not be enforced until January 1, 2012. In the meantime, the IRS has requested comments by March 11 on a variety of issues to be addressed in the substantive regulations. If your organization sponsors a non-grandfathered insured group health plan, we encourage you to stay tuned for further developments, as the expected new regulations will require detailed analysis of the value of coverage for all of your employees.

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