

Early Retiree Reinsurance Program: First-Come First-Served!

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Employers who want to participate in the temporary early retiree reinsurance program should not delay in making sure their plans meet the Department of Health and Human Services (HHS) guidelines.

Once applications become available, health plan sponsors may need to scramble to submit them because funds are limited and applications will be processed on a first-come-first-served basis. Applications for the program should be available by June 1, 2010.

Eligibility

Included within the new Health Care Reform law, the reinsurance program was created to encourage employers with retiree health plans to continue to cover early retirees who are not yet eligible for Medicare. The reinsurance program expires in 2014, when states are required to have health insurance exchanges in place. But the \$5 billion in the reinsurance program is likely to run out before 2014.

Eligible plans include those sponsored by private employers, state and local governments, employee organizations such as VEBAs and multi-employer plans. Reimbursement will be available for claims of early retirees and their covered spouses, surviving spouses and dependents. An early retiree is defined as an individual who is:

- Age 55 or older;
- Not eligible for Medicare; and
- Not an active employee of the employer maintaining (or contributing to) the health plan.

Reimbursement

The program will reimburse 80% of the cost of health claims between \$15,000 and \$90,000 paid during the plan year for an eligible individual. HHS has said reimbursed costs can include cost-sharing amounts paid by the retirees and their dependents, such as deductibles, co-payments and co-insurance. Insurance premiums are not eligible for reimbursement.

The sponsor must use the proceeds to:

- Reduce health benefit costs or health benefit premium costs for the plan sponsor, and/or

- Reduce premium contributions, co-payments, deductibles, coinsurance or other out-of-pocket costs for plan participants

HHS has said that sponsors are expected to maintain the current level of plan contributions and that it will monitor the use of reimbursements and provide additional information on how they should be used as the program develops.

Want to Participate?

Eligibility to participate is not automatic. The plan sponsor must submit an application to HHS and the plan must be certified as meeting all program requirements.

A more detailed description of the early retiree reinsurance program, including a list of application requirements, may be found [here](#).

The regulations are clear that HHS expects more requests for reimbursement than it has funds available and that applications will be processed in the order received. If an application is incomplete or does not meet all requirements of the program, it will be rejected and the corrected application will be relegated to the back of the line.

Act Now

Sponsors who plan to apply for retiree funding should be ready to jump when the application forms become available. They should review and, if necessary, beef up their existing disease management programs and other programs for chronic and high-cost conditions and their policies and procedures for protecting against fraud, waste and abuse. Potential applicants should also contact their insurers or claims administrators to determine whether other information required for the application and program participation is available.

For additional information on the program, please contact any member of the Employee Benefits Group at Warner Norcross & Judd LLP.