Katten Katten Muchin Rosenman LLP CORPORATE & FINANCIAL WEEKLY DIGEST

Corporate & Financial Weekly Digest

February 17, 2012 by Ann M. Kim

Agencies Issue Final Rules On Summary of Benefits for Health Plans and Insurance Coverage Under PPACA

Co-authored by Christopher Buch.

Under final regulations issued February 9, group health plans must issue a summary of benefits and coverage and a uniform glossary. The final rule implements a Patient Protection and Affordable Care Act (PPACA) requirement of group health plans to provide its enrollees and potential enrollees with certain disclosures to help them better understand their health coverage, as well as to learn about additional coverage options. The final regulations were the combined effort of the Internal Revenue Service, the Employee Benefits Security Administration, and the Centers for Medicare & Medicaid Services, the three agencies responsible for implementing healthcare reform legislation under PPACA.

The final regulations also set forth the standards for who provides the summary of benefits and coverage, to whom, and when. For insured plans, the insurer is responsible for providing the summary, while the plan administrator has such responsibility for self-insured plans. The summary must be provided in several different circumstances, such as during open enrollment, when an individual first applies for coverage, upon a renewal, or upon request.

Each summary must contain certain items, including uniform standard definitions of medical and health coverage terms; a description of the coverage provided; and information regarding any exceptions, reductions or limitations under the coverage. The summary must also include coverage examples and illustrations of plan benefits. The regulations also contain rules related to the appearance of the summary of benefits and coverage, including font size and length restrictions.

In conjunction with the final regulations, the agencies developed a uniform glossary containing definitions for certain insurance-related and medical terms, as well as other terms that will help enrollees and potential enrollees understand and compare the terms of coverage and the extent of the plan's medical benefits. The agencies also published a six page template and other sample guidance for plans to use in preparing the required summaries. The glossary must be in the appearance specified by the agencies, so that the glossary is presented in a uniform format and uses terminology

understandable by the average plan enrollee. To obtain the uniform glossary, individuals should have an Internet address by which they may review the glossary and a contact number they may call to obtain a paper copy. In addition, they should receive a disclosure that paper copies are available. The Internet address may be a place where the document can be found on the plan's or issuer's website, or on the Department of Labor's or Department of Health and Human Services' website. The issuer (if an insured plan) or the plan administrator (if self-insured) must provide a paper copy of the glossary within seven business days upon request.

In general, the final regulations apply for disclosures with respect to participants and their beneficiaries enrolling in a health plan beginning on the first day of the first open enrollment period beginning on or after September 23, 2012. For potential participants and their beneficiaries applying for coverage outside of open enrollment, the final regulations apply beginning on the first day of the first plan year that begins on or after September 23, 2012.

A link to the final rule can be found here.

Katten Muchin Rosenman LLP
Charlotte Chicago Irving London Los Angeles New York Washington, DC