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Retiree Reinsurance Program Regulations Issued


The Patient Protection and Affordable Care Act (PPACA) contained a new retiree reinsurance program for employers providing group health insurance coverage to early retirees. The Department of Health and Human Services has issued interim final rules that go into effect June 1, 2010. Under the program, employers who provide health insurance for early retirees may be reimbursed for 80% of the costs incurred and paid under the group health coverage for health benefits between \$15,000 and \$90,000 during the plan year. Applications for the program will become available in June, and because claims will be processed in the order in which they are received (and because the amount of funds made available for the program is limited to \$5 Billion), employers should act quickly to claim their share of these funds. The program will expire on January 1, 2014, or the date the \$5 Billion allocated for the program is depleted, if earlier.

For purposes of the retiree reinsurance program, “early retirees” are participants in an employer-sponsored health insurance plan who are age 55 or older, are not active employees, and are not eligible for Medicare. The term includes the spouse and other dependents of the retiree, regardless of their age and Medicare eligibility.

For an employer’s health insurance plan to qualify for the reimbursements available under the retiree reinsurance program, the employer’s plan must include provisions that generate (or have the potential to generate) cost savings for participants with chronic and high-cost conditions. The employer must maintain policies and procedures to detect and reduce fraud, waste and abuse and must have a written agreement in place permitting required disclosures between the plan, insurer (if applicable) and employer.

Employers are required to submit an application to the Department of Health and Human Services for each plan they sponsor. While application forms have not yet been made available, the regulations contain detailed application requirements. For example, the application will require that employers project the amount of claims that will be reimbursed under the program for the first two plan years and must state how the reimbursements will be used to reduce premiums and out-of-pocket costs for participants, reduce benefit and premium costs for the employer or a combination thereof. Employers are expected to maintain their current level of contributions to the plan, not using the reimbursements to reduce costs solely for the employer. If an employer’s application is incomplete or contains errors it will be rejected. When the employer re-applies, the new application will be processed according to the date it was resubmitted.

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Employers may submit claims for plan years that begin before June 1, 2010. Costs incurred before June 1, 2010 may be used to satisfy the \$15,000 cost threshold but are not reimbursable.

If you have any questions about the retiree reinsurance program, please contact Dana Thrasher (205-226-5464), Bob Ellerbrock (205-226-5462), Jay Turner (205-226-5468), or Dave Pearson (813-222-1367).

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