It Just Got Cheaper

Covering Your Early Retirees

by Brett Sesker, FLMI, HIA, ALCH, GBA

Employers who provide medical and prescription drug benefits to retirees ages 55-64 may be in for a bonus with the recent passage of the Patient Protection and Affordable Care Act (PPACA). The Early Retiree Reinsurance Program (ERRP), a key provision of the PPACA, creates an incentive for employers to continue providing benefits to retirees until 2014. Both insured and self-insured programs are eligible. Any employer who may benefit from ERRP now or in the next 3 years should continue to read on, even if there is only 1 retiree in the plan!

The intention of ERRP is to persuade employers and group health plan sponsors to extend health coverage for early retirees until state health exchanges and federal subsidies for health coverage are enacted by January 1, 2014, or until the $5 billion allocated for ERRP runs out. Under the new legislation, ERRP will cover 80% of claims between $15,000 and $90,000 that are paid on an eligible retiree, their spouse or their children. The retiree must be between 55-64 years of age and may *not* be eligible for Medicare. Dependents of the retiree, however, may fall into any age category and may, therefore, qualify for Medicare. Employers can use the reinsurance payment to reduce medical premiums and improve benefits (lower deductibles, co-payments, etc.).

Getting started

Because 2010 is a "transition year," a full reimbursement will not occur until next year. Claims up to $15,000 that are incurred before June 1, 2010 will count towards the cost threshold and the cost limit. Claims over $15,000 incurred prior to June 1, 2010 are not eligible for reimbursement. Full reimbursements will begin in 2011. If the $5 billion set aside for the program does not last through 2013, further contributions from the Federal Government may be required.

How does it work? It's as simple as 1, 2, 3

Step #1 – The first step employers should take to benefit from ERRP is to identify whether or not they provide coverage to early retirees, or if they eventually plan to do so. If an employer has provided early retiree coverage in the past, the insurance carrier or claims administrator should provide a report showing the total paid claims on the retiree and their dependents in 2009 and year-to-date in 2010. This will give employers an idea of what level of reimbursement they may expect.

Step #2 – Employers will need to complete an application that can be accessed at the following web address: http://www.errp.gov. The application process is fairly simple and the questions can be answered with the assistance of the insurance carrier, claim administrator or consultant/broker. However, it is important to bear in mind that the application acceptance policy is very stringent and if there are any mistakes or omissions, it will be returned and the process must start over.

Step #3 – Once an application is accurately completed, employers can print the application, as well as any appropriate attachments, and mail it using the U.S. Postal Service to the address listed on page 2 of the application. *Electronic submissions are not available.*

Don't delay!

There is no deadline for acceptance of this application, but it is recommended that employers file promptly. Payments will only be processed for complete applications and will be made approximately 6 months after the plan year ends. Employers who apply for this reinsurance incentive could save 20-30% off the costs associated with their early retiree group. This translates into substantial savings for those who are proactive about the ERRP application process. SilverStone Group encourages all eligible employers to take advantage of this simple, money-saving program.


ERRP