

SilverStone Group

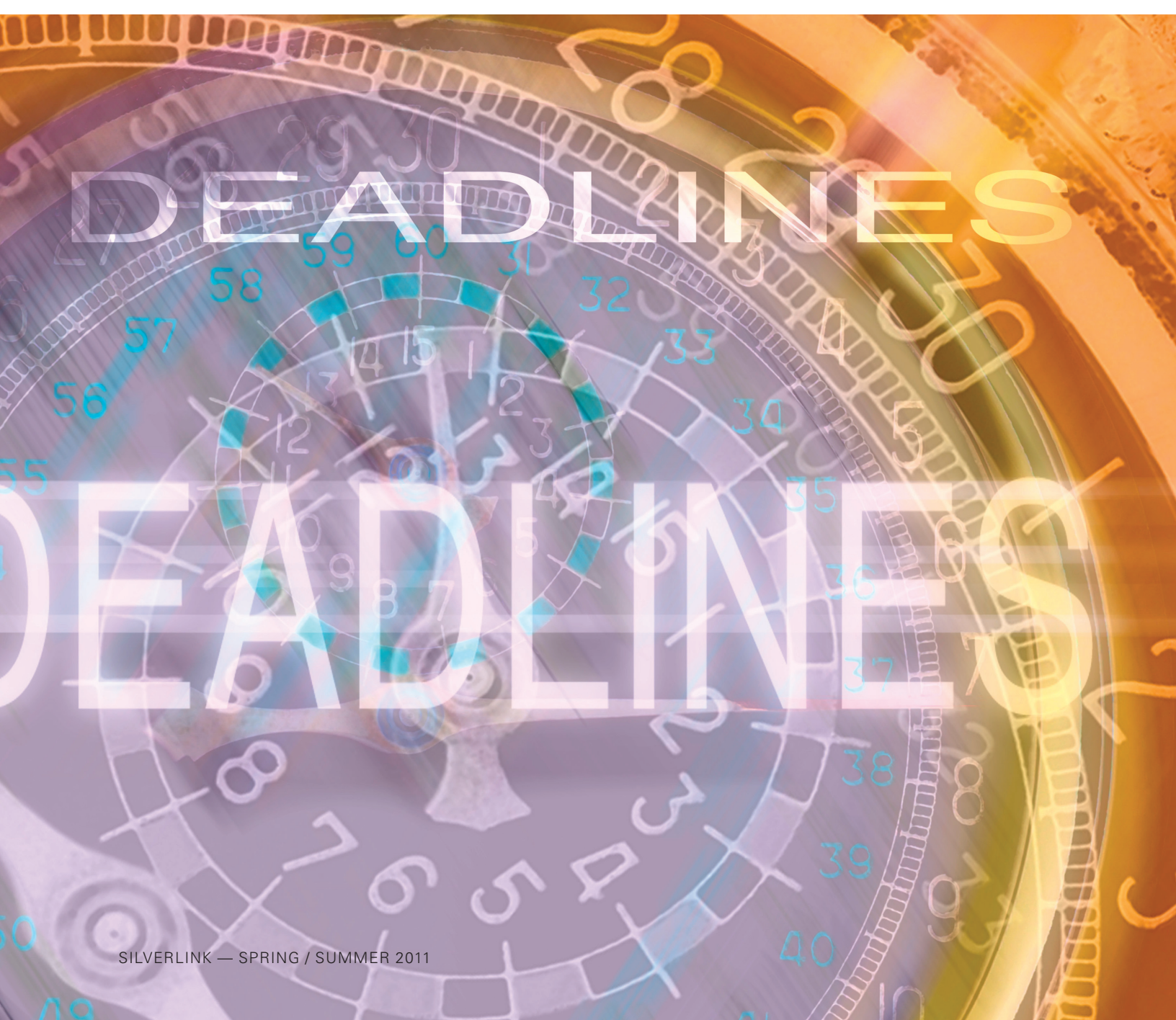
EMPLOYEE BENEFITS

Defined Benefits

# The Clock is Ticking

*Federal Reinsurance Program is Working*

by Mike Ehmke



According to a recent report released by the Department of Health and Human Services (HHS), the new Early Retiree Reinsurance Program (ERRP) is accomplishing what lawmakers set out to do – make health benefits more accessible and affordable for early retirees, their spouses and dependents. Congress appropriated \$5 billion for this temporary program, which began on June 1, 2010 and is scheduled to end no later than January 1, 2014, or until the \$5 billion set aside for the program is exhausted. These funds have been allocated to provide reimbursements for participating sponsors of qualified plans offering health benefits to early retirees (age 55 or older and not eligible for Medicare) and are intended to encourage employers and group health plan sponsors to provide benefits until state health exchanges and federal subsidies for health coverage are implemented by January 1, 2014. Thus far, the program is experiencing high levels of participation, and while this involvement is achieving the program's intended goals, it also means that funds won't last long.

### Roll call

As of December 31, 2010, more than 5,000 plan sponsors had been approved for participation in ERRP. The amount of the participants in the program varied by location, with the most being approved in California (521 participants) and least in Puerto Rico (2 participants). State and local governments represented the majority of approved organizations, followed by commercial organizations, not-for-profits and unions. Some religious organizations were also approved for participation.

### Breaking down the bank

As of December 31, 2010, approximately \$535 million in health benefit costs had been reimbursed to 253 approved plan sponsors. Payments made to individually sponsored health plans ranged from less than \$1,000 to more than \$108 million. The payments made were on behalf of nearly 61,000 people to offset the high costs associated with their healthcare needs. The largest share of the reimbursements went to state government sponsored entities, followed by not-for-profits, commercial and union organizations. Plan sponsors in Michigan received the highest total of reimbursements (nearly \$142 million), while those in Maryland received the lowest (slightly less than \$27,000). Sponsors collecting the largest program disbursements reported that ERRP payments will either directly or indirectly benefit more than 4.5 million retirees, spouses, dependents and active workers.

Information for this article was accessed at [http://www.hin.com/sw/healthLaw\\_regulation030711\\_HHS\\_early\\_retiree\\_reinsurance\\_program\\_health\\_care\\_coverage\\_insurance\\_cost\\_disease\\_management\\_Medicare\\_prescriptions.html](http://www.hin.com/sw/healthLaw_regulation030711_HHS_early_retiree_reinsurance_program_health_care_coverage_insurance_cost_disease_management_Medicare_prescriptions.html), "Early Retiree Reinsurance Program Cut Care Costs, Benefited Over 4 Million Retirees," the Health Intelligence Network website, 2011.

### Paying the bills

ERRP gives plan sponsors several options on how to use the reimbursements:

1. Funds may be used to reduce costs for plan participants.
2. Funds may be used to reduce costs to the plan sponsor.
3. A combination of (1) and (2).

The majority (80%) of plan sponsors who received reimbursements in 2010 are using some or all of the reimbursements to lower healthcare costs for plan participants. Those same plan sponsors received 97% of the actual funds disbursed in 2010.

Participating plan sponsors are also working to generate cost savings for individuals suffering with chronic and high-expense medical conditions. To offset the costs associated with illnesses such as diabetes, asthma and osteoarthritis, plan sponsors are beginning to offer disease and cost management programs, post-discharge planning following hospitalization and customized telephone counseling from a clinician who helps plan participants effectively manage their conditions.

### Tick-tock

While ERRP has had a meaningful impact on employers, as well as millions of early retirees and their families, there is concern regarding the duration of the program. At the close of 2010, nearly 11% of the program funding had been disbursed. These funds were received by only 5% of the approved program plan sponsors who submitted a reimbursement request. Given those facts, it is very likely the program funding will run out before the statutory ending date of January 1, 2014. In February, the Federal Government stated that it expects to distribute \$3.6 billion in reimbursements by September 30, 2011 (the end of the Federal Government's fiscal year). Thus, it is probable that the remaining \$1.4 billion of the initial \$5 billion authorized would be fully distributed sometime in early to mid 2012.

In light of the shrinking availability of ERRP funds, approved plan sponsors are urged to quickly submit their reimbursement requests. These government funds are only available to plan sponsors after they submit a variety of required information; therefore, it is critical that the appropriate documents are collected and submitted as soon as they are accessible. Failure to do so could result in a missed opportunity to collect valuable healthcare dollars. Hurry – the clock is ticking!