



Regence BlueCross BlueShield of Utah is an Independent Licensee of the Blue Cross and Blue Shield Association

Health Care Reform 'Grandfather' Plans

Regence has long supported efforts to improve the health care system, advocating for appropriate changes to public policy in our nation. We believe the passage of the Patient Protection and Affordable Health Care Act (PPACA) in March was a step in the right direction to resolve some issues – including increasing the access to care. Much work remains to be done though, as we work alongside federal and state regulators to better understand the implications and implement the requirements of PPACA.

While there are many meaningful and positive components to PPACA, some issues are clear: health care costs will continue to increase and some provisions by and large may not benefit all employers or individuals such as 'grandfather' plans.

During the health reform debate, the President promised employers and individuals that they would be able to keep their current health insurance plans and be exempt, or 'grandfathered' from some reform mandates. This means a member who had a plan on or before March 23, 2010 (the day the law was passed) could avoid some reform mandates and keep something close to his or her same coverage. However, any assumption that 'grandfathering' is universally beneficial is misleading. As a result of our review of the 'grandfather' requirements in PPACA and how those requirements will impact our members, Regence has made decisions regarding 'grandfather' plans.

Disadvantages of 'Grandfather' Plans

"Grandfathering" significantly limits the flexibility many employers and individuals find necessary when evaluating their costs and benefit offerings from year to year. Additionally, in order to maintain 'grandfathered' plans, employers and individuals are required to comply with several constraints on their plans that were in place on March 23, 2010, including having to:

- Maintain documentation of all plan materials such as historical information about the plan benefits and terms in effect on March 23, 2010, and the dates and contents of changes after that date
- Continue nearly the same employer contribution rate toward employee premiums that they were paying as of March 23, 2010
- Keep the same copayments, deductibles, and coinsurance maximums with opportunity for only very limited changes
- Retain their current insurance carrier for all fully insured groups

Regardless of ‘Grandfathered’ status, many reform requirements still apply

Some of the biggest reform changes still apply to **all plans, including those that are ‘grandfathered’, including:**

- Eligibility age extended for children up to age 26
- No pre-existing condition waiting periods for children under 19 (for group coverage)
- No lifetime limits on essential benefits
- “Restricted” annual limits on essential benefits (for group coverage)

Reform exemptions may actually be beneficial

Most of the reform changes that a ‘grandfathered’ plan would be exempt from are those that provide a great deal of value for individuals and employees. Moreover, some of the reform requirements are already incorporated in many of our group and individual benefit plans.

- First dollar coverage for Preventive Care Services
- Rating limitations (gender is not a rating factor for individual and 2-50 small group plans)
- Out-of-network emergency care covered at the same benefit level as in-network care

Regence’s position on ‘Grandfather’ Plans

Our members continually tell us that freedom of choice and flexibility is important to them and we strive to design our products to meet this need. ‘Grandfathering’ reduces the ability of employers and individuals to exercise their choice at each year’s renewal which could have serious implications for their bottom lines. Therefore, Regence has determined that maintaining ‘grandfathered’ plans will usually be minimally beneficial to employers and individuals, at best, and not worth the additional administrative costs that would result from it.

Additionally, it is important to understand that the benefit plan held by the group or individual is what's 'grandfathered' – rather than the product itself. And 'grandfathered' plans cannot be open for new business. This means if Regence maintains a 'grandfathered' version of a product and still plans to market that product for new business, we must maintain the current 'grandfathered' plan and create a new 'non-grandfathered' plan. This will result in maintaining two similar product designs, which is cumbersome, more costly, and administratively inefficient.

How are Regence products impacted?

In general, we will not maintain 'grandfather' status for individual products that are currently marketed and group products 2-99.

Here is a summary of each line of business:

Individual

- 'Grandfather' status will NOT be maintained for plans that are still available for sale.
- 'Grandfather' status WILL be maintained for closed products and products scheduled for discontinuation until they are no longer available.

Groups (Insured)

- 'Grandfather' status will NOT be maintained for groups of 2-99.
- 'Grandfather' status discussions for 100+ groups that are already enrolled on Facets system products - Regence Preferred (PPO), Innova[®], Engage[®], ActivateSM or HSA Healthplan 2.0SM – will take place during the renewal negotiation process.
- 'Grandfather' status for all other 100+ groups will NOT be maintained; however, requests for exceptions will be managed through the renewal negotiation process.

Groups (Self-Funded)

- 'Grandfather' status will be decided by the group (provided there is agreement on the operational costs to maintain the 'grandfathered' Plan).

Groups (Associations and Collective Bargaining Agreements)

- 'Grandfather' status for Association plans will NOT be maintained; however, requests for exceptions will be managed through the renewal negotiation process. Plans subject to

insured Collective Bargaining Agreements (CBA) are subject to some specific rules while a CBA is in effect. After the last CBA term expires, grandfather status will NOT be maintained; however, requests for exceptions will be managed through the renewal negotiation process.

Please note that our decisions concerning group 2-99 products will not take effect until renewals on or after October 1, 2010. Additional information regarding changes to our individual plans will be distributed soon.

In Summary

Regence has been and continues to be an advocate for reform and we will do all we can to ensure our members receive the most value possible under PPACA. We will also continue to be an advocate in addressing the ever-present challenge of cost containment on behalf of our members.

If you have any questions about the above information, please talk to your Regence sales representative.

For more information on 'grandfathering', please visit

<http://www.dol.gov/federalregister/PdfDisplay.aspx?DocId=23967>

Health insurers continue to receive information from Health and Human Services regarding the Patient Protection and Affordable Care Act. Therefore, this information has and will continue to change. The information provided in this document should not be construed as legal advice.