

HEALTH CARE REFORM ACT PROVIDES FOR POTENTIAL REIMBURSEMENT OF RETIREE HEALTH CLAIMS

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The new health care reform legislation provides an opportunity to employers who offer medical coverage to retirees to obtain government reimbursement of certain claims expenses. Called the "Early Retiree Reinsurance Program," it is designed to assist employers who provide health care coverage for individuals who retire before becoming eligible for Medicare (i.e., ages 55 to 64) to continue to provide such coverage. However, there is a catch: the reimbursement program is temporary and is capped at \$5 billion in total reimbursements.

The program provides reimbursement of 80 percent of eligible claims expenses for retirees age 55 and older who are not eligible for Medicare, as well as their spouses, surviving spouses and dependents. Reimbursement is for retirees with expenses between \$15,000 and \$90,000, per plan year, incurred after June 1, 2010. Note that all claims incurred from the first day of the current plan year (usually Jan. 1, 2010) count towards the \$15,000 floor.

The subsidy is available through the earlier of Jan. 1, 2014, or the date when the funds are exhausted.

In order to be eligible to receive the reimbursement, an employer must complete an application and submit it to the

Department of Health and Human Services. Additionally, the employer must commit to implementing programs and procedures intended to generate cost savings for participants with certain "chronic and high-cost conditions." A draft application and instructions are now available. The final version of the application is expected to be available by the end of June. Initial indications suggest that the application process will be an extremely complicated and time consuming process.

Although the duration of the program will depend upon the number of employers applying for reimbursement, published estimates indicate that the program is likely to run out of money within the first two years it is available.

Applications for the reimbursement are expected to be considered on a first-come, first-served basis. Funds will be available to sponsors whose applications are approved until the \$5 billion made available for the program is exhausted. Consequently, employers who wish to participate in the program should consider familiarizing themselves with the application process now and completing and submitting the application as soon as it becomes available.