



Grandfathered Health Plans

The Patient Protection and Affordable Care Act (PPACA, as amended by the Health Care and Education Act) provides for the grandfathering of existing health insurance plans. Plan administrators will need to evaluate the status of their plan and determine if the plan will be grandfathered.

What is a Grandfathered Health Plan?

A grandfathered health plan is an existing group or individual health plan in effect on 3/23/10, or in effect under a collective bargaining agreement that was ratified before 3/23/10. Grandfathered health plans will be permitted to make routine changes that do not significantly cut benefits or increase the cost of the plan to participants.

What Provisions of the Health Care Reform Laws Apply to Grandfathered Health Plans?

- Uniform summary of benefits (2011)
- No lifetime caps and restrictions on annual coverage limits (2011)
- Limits on rescissions of coverage (2011)
- Dependent to age 26 coverage unless the dependent is eligible for other employer-sponsored group health benefits (2011)
- No pre-existing conditions exclusions for children under age 19 (2011)
- Maximum waiting period for benefits of 90 days (2011)
- Dependent to age 26 coverage regardless of whether other employer-sponsored group health benefits are available (2014)
- No pre-existing conditions exclusions for any participant (2014)

Grandfathered health plans are generally not required to comply with the other provisions of the Health Care Reform laws.

What Changes are Permitted for Grandfathered Health Plans?

- Participants currently enrolled in the health plan may re-enroll at renewal.
- Dependents may enroll if enrollment of dependents was permitted for the plan as of 3/23/10.
- New employees and their dependents may enroll in the plan if the enrollment of new employees and dependents was permitted by the plan as of 3/23/10.
- A grandfathered health plan in effect under a collective bargaining agreement that was ratified before 3/23/10 may make any changes required to comply with the collective bargaining agreement until 2014.
- Any change that is not included in the below list of what is not permitted of grandfathered plans.

What Changes are NOT Permitted for Grandfathered Health Plans?

Compared to the plan in effect as of 3/23/10, grandfathered health plans will lose their grandfathered status if any of the following changes are made:

- Cannot significantly cut or reduce benefits.
- Cannot raise co-insurance charges- grandfathered plans cannot raise the percentage of co-insurance required under the plan.
- Cannot significantly raise co-payment charges- grandfathered health plans may not raise no-payment charges more than the greater of \$5 (adjusted annually for medical inflation) or a percentage equal to medical inflation plus 15 percentage points.
- Cannot significantly lower employer contributions- grandfathered plans cannot decrease the percentage of the premium paid by the employer by more than 5 percentage points.
- Cannot add or tighten an annual limit on what the insurer pays- grandfathered plans cannot tighten any annual dollar limit in place as of 3/23/10, and plans with no annual limit cannot put one in place unless they are replacing a lifetime dollar limit with an annual dollar limit that is at least as high as the lifetime limit. This is viewed as more protective of high-cost enrollees.
- Cannot change insurance companies- this does not apply when employers that provide their own insurance to their workers switch plan administrators or to collective bargaining agreements.

A plan will also lose grandfathered status if it forces participants to switch to another grandfathered plan that has less benefits or costs more or if it is bought by or merges with another plan in an effort to avoid complying with the law.

Disclosure Requirement for Grandfathered Plans

Grandfathered plans must disclose to participants every time it distributes materials that the plan is grandfathered and is not subject to some requirements of the Affordable Care Act. The disclosure must include contact information for enrollees to have their questions and complaints addressed.