



For Your Benefit.

Early Retirement Reinsurance Program

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A provision contained within the Patient Protection and Affordable Care Act of 2010 (PPACA) provides employers with a short-term tool to contain costs to provide early retirees with health coverage, the Early Retiree Reinsurance Program (ERRP). Early retirees are defined as those between the ages of 55 and 64 (inclusive) plus any spouses who are also covered, even if the spouse is under age 55. The federal government has established a reinsurance fund with \$5 billion to offset higher utilization costs for this group.

What's Covered

The federal government will reimburse an employer-based retiree health plan for 80 percent of actual annual claims expenses between \$15,000 and \$90,000 per early retiree incurred on or after June 1, 2010. Any actual reimbursement received from ERRP must be used either to reduce the employer's plan costs or be passed on to early retirees in the form of reduced future premium co-share amounts, deductibles, co-pays, or coinsurance, or both. Further, as part of ERRP, the employer must demonstrate how its health plan is intending

to reduce future health care utilization and produce cost savings with respect to participants with "chronic and high-cost conditions," such as diabetes and cancer through programs such as disease management, critical care management, and prevention programs.

What to Do Now

In order to qualify for the program, the employer must submit an [application](#) to the Department of Health and Human Services. Once the application is approved, the employer's health plan may submit eligible, qualified expenses incurred by its early retirees on any regular basis. However, it is important to note that ERRP expires upon the earlier of December 31, 2013 or when the \$5 billion fund is exhausted. After careful analysis, it is expected that the \$5 billion fund will most likely be exhausted by as early as the end of 2011 or mid-2012. Thus, we recommend that if an employer chooses to participate in ERRP it takes two immediate courses of action:

- Submit an application as soon as it is determined that it has early retirees in its health plan, regardless of the claims status of its existing early retirees.
- Once approved for ERRP, employers should submit eligible qualified claims of

between \$15,000 and \$90,000 for those early retirees as soon as they have

been adjudicated by the insurance carrier or third-party administrator.

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