
BENEFITS ALERT

The Patient Protection and Affordable Care Act (PPACA) was signed into law on March 23, 2010. PPACA was amended by the Health Care and Education Reconciliation Act of 2010 (HCERA) on March 31, 2010. One of the immediate impacts is the Early Retiree Reinsurance Program (ERRP). ERRP is a \$5 billion fund intended to address trends that have led employers to reduce or eliminate health benefits for early retirees. This program is effective beginning June 21, 2010 through December 31, 2103.

Employers and unions that provide an employment-based group health plan to retirees at least age 55 but not yet eligible for Medicare, their spouses or dependent are eligible to participate in the ERRP. To participate in the program, employers and unions must have an approved application, be able to document health claims, implement procedures that have the potential to generate plan savings, and have policies in place to detect and reduce fraud or waster. The ERRP reimburses the employer 80% of the actual cost of an early retiree's health claims between \$15,000 and \$90,000.

On April 4, 2011, CMS announced that it will stop accepting application for the Early Retiree Reinsurance Program beginning May 4, 2011.

CMS has approved over 5,000 applications to date. In 2010 ERRP paid out \$535 million in reimbursements to 253 plan sponsors. In the seven months that the program was reimbursing claims in 2010 they managed to spend 10% of the available funding on 5% of the enrollees. Fifty-six percent of the ERRP funding spent in 2010 (\$298 million) went to government organizations. Of that amount well over half was sent to the following five government entities:

- California Public Employees' Retirement System: \$57.8 million
- State of New Jersey Treasury Department, Pension Accounting Services: \$38.6 million
- Georgia Department of Community Health, State Health Benefit Plan: \$34.9 million
- Commonwealth of Kentucky: \$29.7 million
- Employees Retirement System of Texas: \$21.0 million

The total for these five governmental entities (\$182 million) is over one-third of the total spent in 2010. Based on the spending pattern in the first seven months of the program ERRP will exhaust its funding long before the intended program end date of December 31, 2013. Some estimate the funds will be exhausted in 2012.

If you have a benefit plan that may qualify for the program you only have until May 4, 2011 to complete the application. A copy of the application, as well as information on how to complete and send it, and where to send it, can be found on www.errp.gov

Please contact EBS-RMSCO if you have any questions.