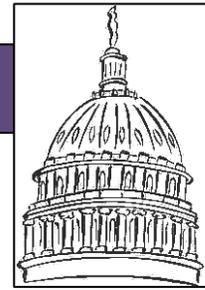




Health Care Reform Update



IMPORTANT NOTICE REGARDING HEALTHCARE REFORM **Update #1** **September, 2012**

Summary of Benefits and Coverage

The Patient Protection and Affordable Health Care Act (PPACA) requires all group health plan administrators and health insurance carriers to begin providing a Summary of Benefits and Coverage (SBC) to plan participants at specific times beginning September 23, 2012. The purpose of the SBC is to establish standards that all group health plan administrators and insurers must follow when offering group or individual health insurance. It was created by the Department of Health and Human Services, the Department of Labor and the Department of the Treasury and sets the standards needed to ensure coverage information is presented in a clear and easy to read language, and in a consistent format to help consumers better understand and compare coverage options.

REQUIREMENTS FOR ISSUING THE SUMMARY OF BENEFITS AND COVERAGE

The requirement to provide an SBC to participants who enroll or re-enroll in group health plan coverage through an open enrollment period is effective on the beginning of the first day of the first open enrollment period that begins on or after September 23, 2012.

For participants and beneficiaries who enroll in group health plan coverage other than through an open enrollment period (including individuals who are newly eligible for coverage and individuals entitled to enroll via special enrollment rights), the SBC requirement is effective the first day of the first plan year that begins on or after September 23, 2012.

An SBC is required to be distributed upon any of the following events:

Upon enrollment for coverage - An SBC must be provided as part of any written materials that are distributed by the plan for enrollment. If the plan does not distribute written enrollment materials, the SBC must be distributed no later than the first date on which the participant is eligible to enroll in coverage.

By first day of coverage if there are any changes to the SBC - If there is any change to the information required to be in the SBC that was provided upon enrollment and before the first day of coverage, the plan must update and provide a current SBC to participants no later than the first day of coverage.

Special Enrollment - An SBC must be provided to an individual enrolling in coverage via HIPAA special enrollment rights within 90 days from enrollment.

Upon renewal of coverage - The SBC must also be provided upon the renewal of coverage. If renewal of coverage is automatic and no material modification will be made, the SBC must be provided 30 days prior to the first day of the new plan or policy year. Safe harbor for insured plans, if the policy or contract of insurance has not been renewed before the 30 day period, the SBC must be provided as



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soon as practicable but not more than the earlier of (7) seven business days after the confirmation of intent to renew.

Upon request - The SBC must be provided to participants as soon as practicable upon request, but no later than (7) seven business days following the request.

Important note on Material Modifications

It is important to point out that if a material modification is made to any terms of the plan that would affect the content of the SBC, and it occurs other than in connection with a renewal or reissuance of coverage, participants must be notified of the change 60 days prior to the change becoming effective. Prior to this new requirement, group health plans were only required to notify participants within 60 days *after* a material modification took effect.

A material modification includes any modification to the coverage offered under a plan or policy that, independently, or in conjunction with other contemporaneous modifications or changes, would be considered by an average plan participant to be an important change in covered benefits or other terms of coverage under the plan. According to regulations, a material modification includes, but is not limited to, an enhancement of covered benefits or services, a material reduction in covered services or benefits, and changes or modifications that reduce or eliminate benefits, increase cost-sharing, or impose a new referral requirement.

Bernie Lowe & Associates, Inc. is not providing any legal advice with regard to compliance with the requirements of the Affordable Care Act ("ACA"). Bernie Lowe & Associates, Inc. makes no representation as to the impact of plan changes on a plan's grandfathered status or interpretation or implementation of any other provisions of ACA. Bernie Lowe & Associates, Inc. will not determine whether coverage is discriminatory or otherwise in violation of Internal Revenue Code Section 105(h).