

Patient Protection and Affordable Care Act

Benefits for Early Retirees (55 to 64 years of age)

The Patient Protection and Affordable Care Act will help 55 – 64 year-olds stay healthy by ensuring they have access to affordable health insurance coverage. The new law provides \$5 billion to assist employers with providing health coverage for their retirees. The law also provides \$5 billion for a temporary high-risk pool to cover uninsured individuals, including retirees, who have pre-existing conditions. These funds are available until the exchange becomes operational and the ban on pre-existing conditions takes effect in 2014.

Employer Subsidies to cover Early Retirees

The percentage of large firms providing workers with retiree coverage has dropped from 66 percent in 1988 to 31 percent in 2008. The Patient Protection and Affordable Care Act creates a \$5 billion reinsurance fund to assist employers who provide health care coverage for their retirees. This provision, which goes into effect this year, aims to provide a bridge until state-run insurance exchanges are available for individual coverage in 2014. The program:

Reimburses public or private employer plans, including union-provided insurance plans, for 80% of claims between \$15,000 and \$90,000 for pre-Medicare retirees ages 55-64.

Allows employer plans that have some sort of disease management plan in place to treat chronically-ill employees to apply for coverage of claims incurred beginning June 1, 2010. The reinsurance program will be available to businesses starting June 23, 2010, and ends January 1, 2014 when additional insurance options will become available due to state-based exchanges.

Extends benefit to covered spouses, children, and other family members of pre-Medicare retirees and limits eligible claims to costs actually paid by the plan.

Allows funds to be used to pay employer health care costs or to reduce enrollee premiums, co-insurance, or deductibles, but cannot use them for general business expenses. Audits will be in place to ensure funds are used appropriately.

High-Risk Insurance Pool

The new health care law also provides \$5 billion for a state-based or national high-risk insurance pool. This temporary pool will provide coverage from June 21, 2010 and until the broader coverage provisions take effect on January 2014. The plan:

Allows individuals, including early retirees, who have been denied insurance due to pre-existing conditions and have been uninsured for six months to purchase insurance through the pool. These are the most vulnerable in our society and even if insurance is available, the costs are often prohibitive for this population.

Provides States several options for operating the high-risk pools, including doing nothing, in which case the U.S. Department of Health and Human Services would carry out the coverage program in that state.

Sets a minimum level of benefit, which will be determined by the Secretary of Health and Human Services. All plans must cover at least 65% of health care costs.

Limits Premium Costs and Out-of-Pocket Spending - Premiums would be set based on a standard healthy population and are allowed to vary based on age (4:1), geographic area, family composition, and tobacco use. Out-of-pocket spending will be limited to \$5,950 for individuals and \$11,900 for families (excluding premiums).

When the high-risk pool terminates in 2014, those covered by it will transition into the state-based insurance exchanges.

For more information, visit: <http://bit.ly/CTR3F>.

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