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Health Care Reform Management Alert Series

Summaries of Benefits and Coverage - Round 2

Issue 61

This is the sixty-first issue in our health care reform series of alerts for employers on selected topics in health care reform. (Our general summary of health care reform and other issues in this series can be accessed by clicking here.) This series of Health Care Reform Management Alerts is designed to provide a more in-depth analysis of certain aspects of health care reform and how it will impact your employer-sponsored plans.

The Affordable Care Act (ACA) requires group health plan sponsors (employers and insurers) to provide participants with a Summary of Benefits and Coverage (SBC) for each benefit package offered. The first year of SBC compliance began last fall. The IRS, DOL and HHS (the "Agencies") have now issued joint FAQs updating their prior guidance on SBCs for Round 2. This Alert supplements our prior Issues *24*, *30*, *33* and *37* on these topics.

[✓] Applies to grandfathered plans

[✓] Applies to new health plans

Updated Template

The Agencies have issued an updated template that is authorized for use for plan years beginning in 2014 (referred to as the "second year of applicability" in the FAQs or Round 2 here). The updated template can be accessed here: *http://cciio.cms.gov* and *http://www.dol.gov/ebsa/healthreform*.

There are no changes to the template from Round 1, *except* for the addition of statements addressing whether:

- the plan provides minimum essential coverage; and
- the plan's share of the total allowed costs of benefits provided under the plan meets applicable minimum value requirements.

The template adds these statements on page 4. Alternatively, the FAQs provide that "to the extent" a plan is unable to modify its SBC template for Round 2, the Agencies will not take enforcement action as long as the SBC is furnished along with a cover letter or other note providing the same information.

The language for these statements is the same as the language in the updated template. Specifically:

> **Does this Coverage Provide Minimum Essential Coverage?**
>
> The Affordable Care Act requires most people to have health care coverage that qualifies as "minimum essential coverage." **This plan or policy [does/does not] provide minimum essential coverage.**

Does this Coverage Meet the Minimum Value Standard?

The Affordable Care Act establishes a minimum value standard of benefits of a health plan. The minimum value standard is 60% (actuarial value). **This health coverage [does/does not] meet the minimum value standard for the benefits it provides.**

The template does not make any adjustments to account for the fact that in 2014 and later, plans may not impose any annual limits on essential health benefits. Instead, the FAQs provide that the answer to the question "Is there an overall annual limit on what the plan pays?" should be "No." Alternatively, the plan can entirely remove that question from the SBC. A plan must also show the following language: "The chart starting on page 2 describes any limits on what the plan will pay for specific covered services, such as office visits." Then the chart must include information regarding limits on specific covered benefits. Note that this could only be the case for benefits that are not "essential health benefits."

Finally, the FAQs state that the Agencies are not requiring any additional coverage examples for Round 2. Instead, they will stay with the two examples -- having a baby and managing type 2 diabetes.

Enforcement Relief

The Agencies state that they are extending the enforcement relief they provided in Round 1 to Round 2 SBCs. They will continue focusing on assisting plans to come into compliance with the SBC requirements.

They are also extending the anti-duplication relief given to group health plans (where as long as the insurer issues the SBC, the plan administrator does not also have to issue one) to student health insurance. Student health insurance is typically an individual policy issued under an arrangement between an insurer and an institute of higher learning.

The FAQs may be accessed here: *http://www.dol.gov/ebsa/pdf/faq-aca14.pdf*.

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