

Update on Health Care Reform for Employer Groups

Saint Mary's Health Plans is committed to understanding the evolving issues of Health Care Reform, and to use this understanding to better serve Saint Mary's membership. As part of this commitment, ongoing communication is necessary so that the Health Plan and its partners are on the same page. This summary is intended to present Saint Mary's Health Plan's interpretation of the immediate Health Care Reform issues. It is not meant to replace the advice a group's lawyer, broker or financial professional. However, we present this information to show the position that Saint Mary's Health Plans has taken, and to give insight into the direction that the Plan will be taking as it conforms to the regulations set forth under the Patient Protection and Affordable Care Act (PPACA)

The Patient Protection and Affordable Care Act was signed into law on March 23, 2010. One week later, the Act was amended by the passage of the Health Care and Education Reconciliation Act of 2010. These two Acts of Congress, collectively known as the "Affordable Care Act" or PPACA, will bring enormous change to the delivery of health care in the United States.

Saint Mary's Health Plans is committed to helping our members understand the requirements in the recently-passed federal health care reform bill. Although major provisions of the bill will not be fully implemented until 2014, certain changes begin this year.

As a general rule, Saint Mary's Health Plan members will begin seeing changes to their health plans beginning on the first day of the plan year following September 23, 2010. Saint Mary's interprets this Health Care Reform start date as the first day that the group renews on or after September 23, 2010. This newsletter provides a summary of the interim changes in the group market, along with Saint Mary's Health Plan's response to each item listed below. Many provisions of the Affordable Care Act are still pending detailed regulations from the Secretary of Health and Human Services. As more information becomes available, we'll share it with you in a timely manner.

Grandfathered Plans

Affordable Care Act: Employer groups have a right to maintain their existing health plan coverage if certain conditions are met. This coverage is referred to as a *grandfathered health plan*. To qualify as a grandfathered health plan, enrollment in the plan had to occur before March 23, 2010, the date the law was enacted.

Saint Mary's Health Plans response to Grandfathered Plans

Products with enrolled membership on March 23, 2010, have grandfathered status. New groups enrolling on or after April 1, 2010, are considered non-grandfathered or *qualified* health plans. Employers with health plans in effect on March 23, 2010 can add new employees and dependents to their existing plans and maintain grandfathered status. When a group renews on or after October 1, 2010, the group will have the option to renew on the same plan design the group had on March 23, 2010. If the group renews on the same plan, then they will maintain grandfathered status. These plan designs will be modified to meet the Health Care Reform mandates for grandfathered plans.

Access to Pediatricians

Affordable Care Act: Beginning on the first day of the plan year following September 23, 2010, health plan members who are required to designate a Primary Care Physician (PCP) must be allowed to designate a PCP that specializes in pediatrics.

Applicability – Grandfathered Plans

Fully Insured Group Plans – NO

Applicability – Non-Grandfathered Plans (Qualified)

Fully Insured Group Plans – YES

Saint Mary's Health Plans response to Access to Pediatricians

Saint Mary's Health Plans participating pediatricians can be selected as a PCP. This access is already included in all Saint Mary's Healthfirst HMO/POS medical plans.

Appeals Process

Affordable Care Act: Beginning on the first day of the plan year following September 23, 2010, health plans must implement an effective internal and external appeals process for coverage determination and claims decision. The process must comply with certain state and national guidelines.

Applicability – Grandfathered Plans

Fully Insured Group Plans – NO

Applicability – Non-Grandfathered Plans (Qualified)

Fully Insured Group Plans – YES

Saint Mary's Health Plans response to Appeals Processes

Health plan members currently have access to an effective appeals process which we believe will conform to health care reform requirements. We are reviewing our internal protocol to ensure that all steps of our appeals process comply with state and Federal law.

Emergency Services

Affordable Care Act: Beginning on the first day of the plan year following September 23, 2010, the Affordable Care Act requires health plans that cover emergency services to provide such coverage without prior authorization, regardless of the participating status of the health care provider, and at the in-network cost-sharing level.

Applicability – Grandfathered Plans

Fully Insured Group Plans – NO

Applicability – Non-Grandfathered Plans (Qualified)

Fully Insured Group Plans – YES

Saint Mary's Health Plans response to Emergency Services

This coverage will be included in all medical plans offered by Saint Mary's Health Plans beginning on the first day of the plan year following September 23, 2010.

Extension of Dependent Coverage to Age 26

Affordable Care Act: Beginning on the first day of the plan year following September 23, 2010, the law requires health care coverage for adult dependent children, married and unmarried, until age 26. It does not require coverage for children of adult dependents or the spouse of an adult dependent. The requirement to provide dependent coverage up to age 26 does not apply to grandfathered plans where the dependent is eligible for other health coverage.

Applicability – Grandfathered Plans

Fully Insured Group Plans – YES

Applicability – Non-Grandfathered Plans (Qualified)

Fully Insured Group Plans – YES

Saint Mary's Health Plans response to Extension of Dependent Coverage

Beginning on the first day of the plan year following September 23, 2010, Saint Mary's Health Plans will redefine dependent child eligibility to comply with requirements of the Affordable Care Act. Therefore, upon the renewal of a group, subscribers will be able to add adult children that are up to 25 years of age. These adult children need not be tax dependents, live with the subscriber or single.

Up until the group's renewal, groups have been informed that Saint Mary's Health Plans will not terminate a dependent's eligibility due to student status or because the dependent has aged out of an age specific rider. The exception for this is dependents that reach the age of 26. Their eligibility will end on the last day of the month that they turn 26. Groups with 100 or more subscribers had the option to 'opt-out' of this provision.

Access to OB/GYN Physicians

Affordable Care Act: Beginning on the first day of the plan year following September 23, 2010, health plans must allow a woman to see a health care professional specializing in obstetrics or gynecology without prior authorization or referral by a primary care physician.

Applicability – Grandfathered Plans

Fully Insured Group Plans – NO

Applicability – Non-Grandfathered Plans (Qualified)

Fully Insured Group Plans – YES

Saint Mary's Health Plans response to OB/GYN Physicians Access

Saint Mary's Health Plans already provide access to health care professionals specializing in obstetrics or gynecology without prior authorization or referral. Additionally, any Saint Mary's Health Plans participating OB/GYN who chooses to be a primary care physician (PCP) can be selected as a PCP.

Rescissions

Affordable Care Act: Beginning on the first day of the plan year following September 23, 2010, covered individuals may not be cancelled by the health plan, except for fraud or intentional misrepresentation of material fact. It requires prior notice to the enrollee for cancellations. This provision does not prohibit a health plan from cancelling a group contract due to non-payment of premium.

Applicability – Grandfathered Plans

Fully Insured Group Plans – YES

Applicability – Non-Grandfathered Plans (Qualified)

Fully Insured Group Plans – YES

Saint Mary's Health Plans response to Rescissions

This is the current practice at Saint Mary's Health Plans for all group plans.

No Pre-Existing Condition Waiting Periods

Affordable Care Act: Beginning on the first day of the plan year following September 23, 2010, health plans are prohibited from imposing any pre-existing condition exclusions or waiting periods for children, up to age 19, who are enrolled in a group health plan. This means coverage for any specific health condition will not be delayed for new health plan members under age 19.

Applicability – Grandfathered Plans

Fully Insured Group Plans – YES

Applicability – Non-Grandfathered Plans (Qualified)

Fully Insured Group Plans – YES

Saint Mary's Health Plans on No Pre-Existing Conditions Waiting Periods

Beginning on the first day of the plan year following September 23, 2010, Saint Mary's Health Plans will eliminate all pre-existing condition exclusions or waiting periods for children up to age 19. We will comply with any future directives provided by the Secretary of Health and Human Services.

Prohibition of Discrimination by Employer

Affordable Care Act: Beginning on the first day of the plan year following September 23, 2010, employer groups may not establish eligibility rules for any full time employees that are based on the total hourly or annual salary of the employee. Additionally, an employer group may not establish rules that discriminate in favor of higher wage employees.

Applicability – Grandfathered Plans

Fully Insured Group Plans – NO

Applicability – Non-Grandfathered Plans (Qualified)

Fully Insured Group Plans – YES

Saint Mary's Health Plans on Prohibition of Discrimination by Employer

Beginning on the first day of the plan year following September 23, 2010, we will be helping our employer groups understand the requirements of the law which applies to all non-grandfathered group health plans.

Lifetime Limits

Affordable Care Act: Certain health care services are considered to be *Essential Benefits* as defined by the Department of Health and Human Services under the Affordable Care Act. Beginning on the first day of the plan year following September 23, 2010, group health plans may not establish lifetime coverage limits on the dollar value of *Essential Benefits* per member. Lifetime maximums are allowed for coverage of non-essential Benefits, such as dental and vision coverage.

Applicability – Grandfathered Plans

Fully Insured Group Plans – YES

Applicability – Non-Grandfathered Plans (Qualified)

Fully Insured Group Plans – YES

Saint Mary's Health Plans response to Lifetime Limits

Beginning on the first day of the plan year following September 23, 2010, Saint Mary's Health Plans will modify group plans to comply with this requirement. Additional clarification from the Department of Health and Human Services is forthcoming regarding specific coverage provided under the definition of *Essential Benefits*.

Coverage of Preventive Care

Affordable Care Act: Beginning on the first day of the plan year following September 23, 2010, group health plans must provide coverage, without any member cost sharing, for preventive health care services that received an "A" or a "B" (recommended) grade from the U.S. Preventive Services Task Force as well as immunizations recommended by the Centers for Disease Control and Prevention. Evidence-based preventive care screenings for women, infants, children, and adolescents recommended by the Health Resources and Services Administration must also be provided without cost sharing.

Applicability – Grandfathered Plans

Fully Insured Group Plans – NO

Applicability – Non-Grandfathered Plans (Qualified)

Fully Insured Group Plans – YES

Saint Mary's Health Plans response to Coverage of Preventive Care

We will be in full compliance with these requirements beginning with the first day of the plan year following September 23, 2010. Saint Mary's has decided that both Grandfathered and Qualified plans will have no share of costs, no copays, for preventive care when services are received from in-network, participating providers. According to the DHS clarification on grandfathered plans produced in June, it is permissible for a grandfathered plan to voluntarily conform to qualified plan mandates and for that plan to maintain grandfathered status.

Annual Maximums

Affordable Care Act: The regulation provides that, except for the restricted limits defined by the law, a health plan may not impose an annual limit on the dollar value of *Essential Benefits*.

Applicability – Grandfathered Plans

Fully Insured Group Plans – YES

Applicability – Non-Grandfathered Plans (Qualified)

Fully Insured Group Plans – YES

Saint Mary's Health Plans response to Annual Maximums

Beginning on the first day of the plan year following September 23, 2010, Saint Mary's Health Plans will implement the required changes. It appears that this requirement applies to the total dollar limit (aggregate annual policy limit) and does not extend the requirement to specific treatment limits or per procedure dollar limits.

Internet Health Care Portal

Affordable Care Act: Requires the Secretary of Health and Human Services to create a new consumer-focused health care website on the Internet. The site is designed to help individuals and employer groups gather information on health insurance coverage options and costs by state. Healthcare.gov is the name of the new Internet health care portal released July 1, 2010.

Phase One includes the following information:

- Medical plans available in the individual and small business markets, including state and federal-sponsored health coverage
- Health products offered and corresponding plan design summary documents
- Links to provider network and formulary search capabilities
- Health plan contact information

Phase Two is expected to be released on October 1, 2010.

Saint Mary's Health Plans response to the Internet Health Care Portal

Saint Mary's Health Plan submitted the data required for Phase One implementation.

Future Updates to be Announced Later

Medical Loss Ratio Reporting

Beginning January 1, 2011, health plans are required to report claims and other expenses for employer group plans. If medical loss ratios are less than 80 percent for individuals and small employer groups and less than 85 percent for large groups, the health plan must rebate the difference. We are awaiting further guidance and clarification from the Department of Health and Human Services.

Applicability – Grandfathered Plans

Fully Insured Group Plans – YES

Applicability – Non-Grandfathered Plans (Qualified)

Fully Insured Group Plans – YES

Plain Language Documents

Beginning March 2012, health plans must incorporate standardized Summary Plan Description documents. Requirements for compliance with this provision of the Affordable Care Act will be issued by the Department of Health and Human Services next year.

Applicability – Grandfathered Plans

Fully Insured Group Plans – YES

Applicability – Non-Grandfathered Plans (Qualified)

Fully Insured Group Plans – YES

Health Insurance Exchanges

Beginning January 1, 2014, each state is required to establish one or more *Health Insurance Exchanges*. These exchanges will help individuals and small employer groups purchase health insurance using a secure, Internet-based platform. More information is expected over the next several years.

If you should have any further questions, please contact Saint Mary's Health Plan's member services at 1-800-863-7515.