



# HEALTH CARE REFORM update



BlueCross BlueShield  
of Kansas City

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## Grandfathering Existing Coverage

On Tuesday, March 23, President Obama signed into law the “Patient Protection and Affordable Care Act” (PPACA). A reconciliation bill making changes to the Act was signed by the President on March 30. The PPACA as amended by the reconciliation bill is collectively referred to as the Act in this summary. This summary provides an overview of the grandfathering provisions of the Act.

### *Summary*

The Act provides that existing group health plan or insurance coverage that an individual was enrolled in prior to March 23, 2010 – so called “grandfathered plans” – may remain in effect and are exempt from certain (but not all) requirements of the Act. New employees (and their families) and new dependents of existing employees may enroll in grandfathered group health plans. New family members may be enrolled in grandfathered plans in the individual market. (§ 1251 of PPACA; § 2301 of Reconciliation Bill)

### *Scope*

Applicable to all group health plans (whether insured or self funded) and individual insurance coverage in effect as of March 23, 2010, even if renewed after March 23, 2010.

### *Coverage Requirements*

Grandfathered coverage in the individual market and group health plans (insured or self funded) must comply with the following provisions of the Act for the first plan year beginning on or after September 23, 2010 (§ 2301 of Reconciliation Bill):

- Waiting periods may not exceed 90 days;
- May not impose lifetime maximums;
- May not include provisions to rescind coverage; and
- Must extend coverage to dependent children up to the age of 26 if the child is not eligible to enroll in employer sponsored coverage.

In addition, grandfathered group health plans (insured or self funded) must comply with the following (§ 2301 of Reconciliation Bill):

- May not impose pre-existing condition exclusions for children under age 19 beginning with the first plan year beginning on or after March 23, 2010;
- May only apply “restricted” annual benefit limits for essential benefits beginning with plan years starting on or after September 23, 2010;
- May not impose pre-existing condition exclusions for any enrollee after the plan year beginning on or after January 1, 2014; and

- Beginning with renewals and new plan years beginning on or after January 1, 2014, the dependent mandate applies to all children up to age 26 regardless of whether the child is eligible for employer sponsored coverage.

Grandfathered coverage must also comply with the following provisions of the Act:

- Uniform coverage document requirements subject to regulations to be issued by the Secretary of Health & Human Services (HHS) within 12 months (§ 1001 of PPACA adding § 2015 of the Public Health Service Act (PHSA)), applies to individual market and both fully insured and self funded groups;
- Incurred loss and claim reporting requirements (§ 1001 of PPACA adding § 2718 of the PHSA and § 10101(f) of PPACA) beginning for plan years on or after September 23, 2010, applies only to individual market and fully insured groups; and
- Loss ratio requirements beginning January 1, 2011 beginning for plan years on or after September 23, 2010 (§ 1001 of PPACA adding § 2718 of the PHSA and § 10101(f) of PPACA), applies only to individual market and fully insured groups.

Grandfathered coverage is exempt from all other insurance reform provisions of the Act but may be subject to other provisions of the Act such as the employer mandate, tax requirements, etc.

### ***Effective Date***

To be grandfathered, the plan must have been in effect on or before March 23, 2010.

*This summary is provided for informational purposes only and is not intended as legal advice. This summary does not reflect any guidance or federal regulations that may have been issued after the passage of PPACA. Please consult your legal advisor for additional information.*

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#### References

PPACA: [http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=111\\_cong\\_bills&docid=f:h3590enr.txt.pdf](http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=111_cong_bills&docid=f:h3590enr.txt.pdf)

Reconciliation: [http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=111\\_cong\\_bills&docid=f:h4872pcs.txt.pdf](http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=111_cong_bills&docid=f:h4872pcs.txt.pdf)