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**Docket:** IRS-2010-0010

Group Health Plans and Health Insurance Coverage Rules Relating to Status as a Grandfathered Health Plan Under the Patient Protection and Affordable Care Act

**Comment On:** IRS-2010-0010-0001

Group Health Plans and Health Insurance Coverage: Interim Final Rules for Relating to Status as a Grandfathered Health Plan under the Patient Protection and Affordable Care Act

**Document:** IRS-2010-0010-0360

Comment on FR Doc # 2010-14488

Unknown

## Submitter Information

## General Comment

For benefits advisors there has been a disturbing realization that our clients will NOT be able to maintain grandfathered status unless the Final rules are clarified for insurance carriers. In the past week I have been informed by three insurance carriers my clients will not be able to maintain grandfathered status, because the carriers has put practices in place that will force my clients off of their plan and they have no choice but to accept a plan with higher cost, higher out-of-pocket limits and fewer benefits in many respects. Each carrier has informed me that their legal team has reviewed the law and the interim final rules and have determined they do not have to allow the groups to remain grandfathered. My clients are upset and it feels like my hands are tied. This needs to be clarified for everyone's understanding in the final rules. One carrier has indicated they will not administer ANY grandfathered plans whatsoever. I am attaching a document that explicitly says as much. Another carrier indicates they received permission from the state to remove plans before health reform passed and therefore are not subject to the provision, while the third indicated their sales department made the decision to remove plans from their offering and their legal department assures them they are within their right to do so and grandfathered status has no bearing on it, and they are not required to allow groups to remain grandfathered.

## Attachments

**IRS-2010-0010-0360.1:** Comment on FR Doc # 2010-14488

*This information is to assist you when responding to customer and broker inquiries about grandfathering. This document should not be distributed externally.*

### Health Care Reform and Grandfathering Talking Points

The enactment of the Patient Protection and Affordable Care Act (PPACA) represents a significant achievement toward expanding access to many who do not currently have health insurance coverage. As we stated after the legislation passed, the Principal Financial Group® has long advocated for health care reform and believes every American citizen should have access to affordable health insurance.

However, this legislation does not go far enough to cover all Americans, and as a result, will shift a cost burden to those who currently have health insurance coverage and to small businesses. The law also lacks a system-wide approach to address quality of care and rising health care costs.

We will provide more training and communications about all of the more immediate health care reforms before August 1. In the meantime, we know there are some plans renewing soon that want to consider grandfathering, so we are providing some details just about that provision. Only plans in effect as of March 23, 2010, are considered by the law to be "grandfathered," and the more immediate reforms do not apply to HIPAA excepted benefits (like dental, vision, etc.).

During the debate, the President promised that people who liked their health care plan could keep it. However, after careful review of the interim final rules issued in June, Principal Life Insurance Company has determined grandfathering is not in the best interests of our insured medical employers and members because grandfathered plans:

- **Are costly** for employers and Principal Life, which will impact pricing
- **Restrict flexibility** in changes in contribution and plan designs
- **Offer few advantages** -- we're already offering many of the non-grandfathered provisions

To provide more detail:

- **Grandfathered plans are not exempt from many of the new provisions.** Grandfathered plans would still need to incorporate many of the new PPACA provisions, including extending the eligibility age for children to 26, eliminating pre-existing condition waiting periods for enrollees under age 19, eliminating lifetime and annual limits on essential benefits and more.
- **The rules for maintaining grandfathered status are restrictive and potentially costly.** The interim rules to keep grandfathered status are much more restrictive than anticipated. In fact, the regulations do not allow for any changes to a coinsurance percentage and only very limited changes to the other cost-sharing provisions in a policy including copayments, deductibles and out-of-pocket limits,
- **Many of the reform changes provide a great deal of value.** Most of the reform changes from which a grandfathered plan would be exempt are those that provide important advantages for individuals and employers, such as first dollar coverage of preventive care.
- **Some of the reform requirements are already incorporated in many of our plans.** For example, we currently do not rescind coverage (except in the case of fraud or intentional misrepresentation) and in many plans, we cover out-of-network emergency care at the same benefit level as in-network care.
- **Based on government and industry forecasts, most grandfathered plans will only be in existence short-term.** The Department of Health and Human Services estimates that 80% of small plans will have lost their grandfathered status within three years.
- **Administering grandfathered plans is inefficient and will increase costs for employers, while only small cost sharing increases can be passed along to members.** Principal Life is committed to delivering the highest value in health care coverage to our members. Part of that

commitment requires that we become as efficient as possible in supporting our high standards for customer service and member experience. Maintaining grandfathered plans could actually increase costs for employers and members because of the need to administer two different plans.

**Communicating this information to your brokers and employers**

If you have a plan that renews in the near future, you can use the above talking points with those brokers and employers to help them understand why we are not going to administer grandfathered plans. As mentioned above, we will provide more communications and tools in the coming weeks to help you (and your brokers) discuss all of the more immediate health care reforms and our decisions about them. If you have questions or need more information, please contact your market leader.

Principal Life remains committed to our customers and brokers and will work with them to navigate all of the changes around health care reform, while delivering quality, cost-effective care.

*This summary is an overview of the impact of health care reform grandfathering options. It is not a complete statement of the impacts or changes that may result from health care reform.*