



****Important Healthcare Reform Compliance Information****

Summary of Benefits and Coverage (SBC) Distribution Requirements for January 2013 Renewal Groups

The federal healthcare reform law, known as the Patient Protection and Affordable Care Act (PPACA), requires employer group health plans to provide enrolled and otherwise eligible individuals with a uniform, easy-to-read “Summary of Benefits and Coverage” (SBC) describing the benefits and limitations of coverage under each plan option. This new SBC distribution requirement, which becomes effective the first day of your upcoming open enrollment period for your January 2013 plan renewal, is intended to help benefits-eligible employees, under age 65 retirees and COBRA beneficiaries compare their employer-provided medical plan benefit options with other available coverage options such as those provided through the future (2014) healthcare exchanges. **Please read this notice and the enclosed *Frequently Asked Questions* carefully to understand your obligations as PPACA contains significant penalties for failure to comply with these SBC requirements.**

There are strict requirements as to the content and distribution of SBCs. LGC HealthTrust, in coordination with Anthem and CVS Caremark, is preparing an SBC for each of the LGC HealthTrust medical plan options (including prescription drug coverage) your group currently offers. We will provide these SBC templates electronically to your designated Benefits Administrators by the end of October for your distribution to eligible employees, under age 65 retirees and COBRA beneficiaries with open enrollment materials for your January 2013 renewal. **If you intend to change your current medical plan option(s) or add a new option for January 1, please notify your LGC HealthTrust Benefits Advisor by email or fax as soon as possible, but no later than November 30, so that we can prepare and provide you with the appropriate new SBC(s) for timely distribution to eligible individuals.**

You may need to supplement the SBC template with additional information unique to your particular plan coverages, such as a description of any employer funding of high-deductibles or Health Reimbursement Arrangements (HRAs).

While LGC HealthTrust will prepare the SBCs, **you as the employer must distribute the SBCs (and any supplemental materials) in either paper or electronic form to eligible employees, under age 65 retirees and COBRA beneficiaries beginning on the first day of your upcoming open enrollment period.** Subject to specific rules, electronic distribution (including email distribution or posting to an intranet website) is allowed; however, paper copies must also be made available to employees upon their request.

Individuals requesting an SBC from LGC HealthTrust (or Anthem or CVS Caremark) will be directed to their employer to obtain the SBC and any related materials. This is because you have the necessary information to identify all of your benefits-eligible employees, the options available to each employee, and the unique supplemental components of your plan(s).

The following information is intended to assist you in meeting your obligations regarding SBC distribution and also to explain the functions we will perform on your behalf.

Important Points:

- **All Employers:** SBC distribution is a requirement for **all employers**, regardless of size.
- **Effective Date:** For employees currently enrolled or eligible but not enrolled, under age 65 retirees and COBRA beneficiaries, SBCs generally must be provided beginning on the first day of the open enrollment period for your January 1, 2013 plan renewal. For newly eligible employees enrolling at a time other than your annual renewal, the SBC rule applies effective January 1, 2013.
- **Eligible and/or Enrolled Employees:** SBCs must be provided to all employees *eligible for* your group medical plan coverage. This includes enrolled employees, and employees eligible but not currently enrolled (such as an employee who has opted out of your plan for other employer group health plan coverage).
- **Dependents:** A single SBC may be provided to an employee (or under-age 65 retiree or COBRA beneficiary) for all eligible family members unless you know that a family member has a different address, in which case a separate SBC must be provided to the dependent's last known address.
- **COBRA and Under Age 65 Retirees:** SBCs must be provided to all COBRA beneficiaries and under age 65 retirees who are enrolled in (or eligible for but not enrolled in) a plan option covering active employees. SBCs do not need to be provided to Medicare-eligible retirees and family members who are covered by your LGC HealthTrust Medicomp plan.
- **Electronic Distribution:** Regulations allow employers to distribute SBCs electronically or by other electronically accessible means (posted on an employer's intranet site/website).
- **Paper Copies:** Employers who choose to distribute paper copies of the SBCs are responsible for costs of printing and distribution. Paper copies must also be provided free of charge upon request.
- **Glossary:** SBC Regulations require that all individuals eligible for your group medical plan coverage have access to a uniform Glossary of terms. This Glossary is standard for all plans and each SBC will provide a website where the Glossary may be accessed and a toll-free phone number for requesting a paper copy.

LGC HealthTrust Responsibilities:

1. Upon Renewal/Open Enrollment

- We will prepare and electronically provide you with your SBCs before November 1, 2012 (60 days prior to your January 1 renewal date). The SBCs will describe both your medical and prescription drug plan coverage.
- SBCs will be provided for all LGC HealthTrust plan options that you currently offer and are reflected on your transmittal.
- SBCs will be provided to your Benefits Administrator by email. By separate, secure email your Benefits Administrator also will receive a census with respect to each SBC listing names of employees, and names and addresses of COBRA beneficiaries and early retirees, who are enrolled in the relevant plan option as of October 1, 2012.

2. Upon Plan Option Change or Addition of a Plan Option During Renewal

- We will prepare and electronically provide you with the SBC for the new plan coverage within 7 business days from LGC HealthTrust's receipt of your written notice of a plan change or addition of a new plan option.

3. Upon Material Modification of a Plan During a Plan Year

- We will prepare and electronically provide you with the SBC reflecting the new plan coverage within 7 business days from LGC HealthTrust's receipt of your written notice of a mid-year plan change or addition of a new plan option.

4. Upon Request

- We will provide you with an SBC for any medical plan option currently offered by LGC HealthTrust upon your written request no later than 7 business days following receipt of the request.

Employer Responsibilities:

1. **Upon Employee's Initial Eligibility/Enrollment (New or Newly Eligible Employee off Open Enrollment) – applies to new enrollments effective after January 1, 2013**
 - You must provide SBCs for all plan options for which the employee is eligible when you provide other new employee written enrollment/application materials.
 - If there is a material plan change between a new employee's initial eligibility for coverage and their coverage effective date, the SBC for the new plan option must be provided by the effective date of coverage.
2. **Upon Renewal/Open Enrollment (applies for January 1, 2013 Renewal)**
 - If you provide open enrollment materials (i.e., any written enrollment/application materials) to eligible employees, under age 65 retirees and COBRA beneficiaries, you must provide SBCs to those individuals when distributing the open enrollment materials. This should occur on the first day of the open enrollment period.
 - If you do not provide open enrollment materials, the SBC must be provided to eligible employees, under age 65 retirees and COBRA beneficiaries at least 30 days prior to the January 1 effective date of the new plan year.
 - If you offer a choice of plan options, you must automatically provide currently enrolled employees, under age 65 retirees and COBRA beneficiaries with an SBC only for the plan option in which they are enrolled. These enrollees also must be provided SBCs for other plan options upon their request.
 - Employees who are eligible for but not enrolled in your group medical plan must be provided with SBCs for all plan options for which they are eligible.
3. **Upon Plan Option Change or Addition of a Plan Option During Renewal**
 - If you change or add a plan option for January 1, you must notify your LGC HealthTrust Benefits Advisor by email or fax as soon as possible but no later than November 30, 2012. When you receive the new SBC from LGC HealthTrust you must distribute the SBC to eligible employees, under age 65 retirees and COBRA beneficiaries in accordance with the rules in 2 above. If you receive the new SBC after December 1, it should be distributed to eligible individuals as soon as possible but no later than 7 business days of you receiving it from LGC HealthTrust.
4. **Upon HIPAA Special Enrollment**
 - A HIPAA special enrollment is when an employee or a dependent loses coverage under another group health plan and is eligible to be added to the employer's plan. In these situations, the SBC must be provided to the new enrollee within 90 days following the effective date of coverage.
5. **Upon Request**
 - You must provide an SBC to any eligible individual upon their request no later than 7 business days following receipt of the request.
6. **Notice Required Upon Material Modification of the Plan During a Plan Year**
 - The plan year for your LGC HealthTrust medical plan options is January 1 through December 31. A "material modification" generally means a change to a plan or plan option during a plan year that would change information in an existing SBC.
 - **Material modifications that occur during a plan year with a mid-year open enrollment allowed:** A new SBC or Notice of the plan change must be provided when enrollment materials are distributed **but no later than 60 days in advance** of the effective date of the plan change.

This regulation will have a significant effect on implementation of plan changes. For example:

 - Town meeting vote – Town passes plan change at town meeting on March 14, but must provide 60-day notice to employees. A new SBC or Notice of plan changes must be distributed by April 1 for plan change to be effective June 1.
 - Bargained agreements – A collective bargaining agreement is being negotiated for a September 1 effective date. The agreement must be approved and a new SBC or Notice of plan changes distributed by July 1 in order to implement the changes for September 1.

- **Material modifications that occur during a plan year with no mid-year open enrollment elections allowed:** A Notice of the plan change must be provided **at least 60 days in advance** of the effective date of the change, but a new SBC is not required until the next renewal.

7. **Special Requirements for HSAs, HRAs and Health FSAs**

- **Health Savings Accounts (HSAs)** – SBC regulations do not require a separate SBC for HSAs. However, employers who offer a high deductible plan that includes an HSA should supplement the SBC for that plan with information describing the HSA component.
- **Health Reimbursement Arrangements (HRAs)** – A separate SBC is not required for an HRA that is “integrated” with your group medical plan (meaning an HRA that only funds all or a portion of a deductible, copayment or coinsurance under your medical plan). Instead, employers need to supplement the SBC for the primary group medical plan with information describing the HRA funding component. A separate SBC must be provided for stand-alone “non-integrated” HRAs (meaning that HRA funds can be used for expenses other than deductibles, copays and/or coinsurance under your group medical plan). If you offer such a stand-alone HRA, you should contact your HRA vendor for further information.
- **Healthcare Flexible Spending Arrangements (Health FSAs)** – A separate SBC generally is not required for Health FSAs that are offered to employees who are eligible for your primary group medical plan and solely funded with employee salary reduction contributions. A separate SBC may be required for Health FSAs that are either (i) fully-funded or partially-funded by employer contributions in excess of \$500, or (ii) offered to a class of employees who are not eligible for your primary group medical plan. LGC HealthTrust will be providing further information regarding this requirement for groups participating in our Health FSA administration.

Additional SBC Guidance

Enclosed with this notice is a *Frequently Asked Questions* document that provides further details on the above SBC requirements. Both this notice and the FAQs are also posted on our website and can be accessed by clicking on “Healthcare Reform” in the Quick Links portion of our homepage (www.nhlgc.org). Additionally, we recommend that you review the regulatory requirements (45 CRS Part 147.200 et seq.) and related guidance that can be found at <http://www.dol.gov/ebsa/healthreform/index.html>. The Department of Labor continues to update pertinent information regarding SBCs and other PPACA requirements at that website. There is an expanded section specific to the SBC requirements of the law under the heading “Summary of Benefits and Coverage and Uniform Glossary.”

We also recommend that you review the statutory requirements for SBCs which are in Section 2715 of the Public Health Service Act (as added by Section 1001 of PPACA), 42 U.S.C. § 300gg-15, and can be found at <http://www.gpo.gov/fdsys/pkg/USCODE-2010-title42/html/USCODE-2010-title42-chap6A-subchapXXV-partA-subpartii-sec300gg-15.htm>.

If you have any questions about this notice or the enclosed FAQs, please contact your LGC HealthTrust Benefits Advisor at 800.852.3358.