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HEALTHCARE REFORM UPDATE 2014-11



Highlights of the Summary of Benefits and Coverage Requirement

Updated August 2014

- Plan administrators of group health plans must provide a Summary of Benefits and Coverage (SBC) to eligible individuals
 - Insurer is responsible for creating the SBC for fully insured plans, and the insurer and plan administrator are both responsible for distributing to participants in insured plans
 - Plan administrator (which is usually the employer) is responsible for creating and distributing the SBC for self-funded plans
- Requirement applies to all employers, regardless of size or type (private, government, not-for-profit), including grandfathered plans
- Requirement primarily applies to medical (PPO, HDHP, HMO, etc.) coverage
 - Applies to HRAs -- may include HRA information in the medical SBC if the plans are integrated
 - Applies to EAPs and wellness only if the program provides medical services, such as direct counseling -- may include the EAP or wellness information in the medical SBC if they are linked

SUMMARY OF BENEFITS AND COVERAGE Q & A

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- An SBC is not needed for:
 - Stand-alone dental and vision benefits (stand-alone means these benefits are elected separately from medical)
 - Health FSAs unless the employer makes a significant contribution or group medical is not offered
 - Health savings accounts (HSAs), although the high-deductible health plan will need an SBC; the HSA can be mentioned as a source of funds to meet deductibles, coinsurance, etc. if desired
 - Hospital indemnity or specified illness coverage
 - Long-term care, disability or accident coverage
 - Retiree only plans
- Must use the standard format prescribed by the regulatory agencies
 - The 2015 SBC template (which is the same as the 2014 template) can be found at <http://www.dol.gov/ebsa/correctedsbctemplate2.doc>
 - The instructions can be found at <http://www.dol.gov/ebsa/pdf/SBCInstructionsGroup.pdf>
- May show multiple benefit options (such as coverage tiers or different deductibles and out-of-pocket maximums) on one SBC if can do that clearly
- Do not need to include premium/contribution information
- Must include a coverage example that is based on cost assumptions provided by the regulatory agencies and the plan's actual cost sharing design (deductible, copays, coinsurance, exclusions)
- Must provide a standard glossary, which may not be modified
 - Plan may either distribute the glossary or provide a link to where it is posted
 - The glossary can be found at <http://www.dol.gov/ebsa/pdf/SBCUniformGlossary.pdf>
- May include the SBC in the SPD, as long as the prescribed format is followed, the SBC information is prominently displayed, and the timing requirements are met
- Must provide in an alternate language (Chinese, Navajo, Spanish, or Tagalog) if the SBC is being delivered in a county in which more than 10 percent of the population is literate only in that language
- Must be given with open enrollment materials (annual and to new hires)
 - If the individual is currently enrolled, only need to provide an SBC for the plan the employee/retiree is currently enrolled in
 - If the employee is not yet enrolled, the employer must provide an SBC for every available option
- Electronic delivery of the SBC is allowed if:

- Enrollment is online, or
- The employee receives a paper or email notice explaining the SBC has been posted on the internet; the notice must include the posting address, state that a paper copy will be provided at no charge upon request, and include contact information to request a paper copy; or
- For an employee who is already enrolled and who regularly uses a computer in his job, the SBC is either emailed to the employee or the employee is notified that the SBC has been posted, the location of the posting, why the SBC is important and how to obtain a free paper copy
- The SBC must state whether the coverage is minimum essential coverage and whether it provides minimum value

There is a penalty of up to \$1,000 per employee for willful (deliberate) failures to provide the SBC, and of up to \$100 per participant per day for negligent failures to provide the SBC.