



# DOMINION BENEFITS

## e-Bulletin

### Questions/Comments?

If you have any questions regarding the year end roundup requirements as outlined in this notice, contact your Dominion Benefits Consultant or Client Manager. Please be aware that this document is subject to change as we receive more information and guidance from the regulatory agencies. We will notify you as further clarification unfolds.

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### HEALTH REFORM UPDATES

October 6, 2010

## Year-End Roundup For Employee Benefit Plans: *What Needs To Be Done Now?*

The recent enactment of the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 (collectively, the “Affordable Care Act”) includes changes that require implementation before year-end and, in some cases, these changes will require notices during upcoming open enrollment. The impact of many of these changes will depend on whether the relevant group health plan is grandfathered.

**Dependents:** Group health plans must be updated to expand health coverage to dependent children through age 26. Grandfathered group health plans may choose to limit the extension of coverage to dependent children up to age 26 to those who are not eligible for other employer coverage (other than a plan of the other parent’s employer). This rule is generally effective for plan years beginning on or after September 23, 2010 (January 1, 2011 for calendar year plans); however, some plans may have voluntarily applied this rule early. Although cafeteria plans generally cannot be amended retroactively, cafeteria plans through which group health plan coverage was available and that made this change effective in 2010 are allowed to adopt a retroactive amendment by December 31, 2010 to reflect this coverage.

**Plan Exclusions and Rescission Limited:** Under the Affordable Care Act, group health plans, including grandfathered group health plans, are no longer permitted to exclude preexisting conditions for children under age 19 (or for any group health plan participant effective as of the first plan year in 2014). Additionally, with limited exceptions, group health plans, other than health flexible spending arrangements, may not impose annual or lifetime limits on “essential benefits,” or terminate coverage retroactively, except in the case of fraud or an intentional misrepresentation of material fact. These changes should be reflected in open enrollment material for the 2011 plan year.



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**Special Enrollment Rights:** Group health plans must provide special enrollment rights for children who had previously aged-out (or were otherwise excluded before age 26 on account of factors such as financial dependency, marriage or student status) and are now eligible for coverage. In many cases, employers expect to provide notice of this enrollment right with open enrollment materials. In addition, the actual enrollment opportunity has to be made available for at least 30 days beginning no later than the first day of the first plan year beginning on or after September 23, 2010. Similar notice and enrollment rights must be made available for participants or their dependents now eligible for coverage due to the elimination of lifetime limits.

**Over-the-Counter Drugs:** Effective January 1, 2011, health care flexible spending arrangements may no longer reimburse expenses on a tax-favored basis for over-the-counter drugs without a prescription. Health care flexible spending account plans will need to be amended to reflect this limitation, and participants will need to be informed of this change during open enrollment so that they may plan accordingly.

**Claims Review Procedures:** Plan sponsors of group health plans that are not grandfathered are subject to new claims and appeals and external review procedures for plan years beginning on or after September 23, 2010. These group health plans will need to be updated to comply with these new requirements, and the new rules have to be communicated to participants.

**Preventive Care and Patient Protections:** For post-September 22, 2010 plan years, non-grandfathered group health plans will be required to cover certain preventive health services and to eliminate cost-sharing requirements for these services. Group health plans will be required to provide participants with the ability to select their primary care physicians and obtain obstetrical/gynecological services without prior authorization. Additionally, non-grandfathered group health plans that provide any benefits with respect to emergency hospital services will not be allowed to require prior authorization. Also, if the emergency services are provided out-of-network, they need to be covered in the same way as in-network emergency services, and these services will be subject to certain cost-sharing limitations. Again, these changes should be communicated in open enrollment material as appropriate and included in plan documents.



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**Tax Reporting:** Effective for tax years beginning after December 31, 2010, the aggregate cost of employer-sponsored health coverage must be reported for tax purposes on Form W-2. Plan sponsors must inform payroll and third party administrators of their new tax reporting obligations and coordinate with them to ensure compliance with these new reporting obligations. There are many open questions concerning this reporting requirement, and guidance is expected in the near future to explain how employers are to comply.

### **Mental Health Parity and Addiction Equity Act of 2008**

The Mental Health Parity and Addiction Equity Act of 2008, effective for plan years on or after October 2, 2009, requires establishing full parity between mental health/substance abuse benefits and the medical and surgical benefits offered under a group health plan. Final regulations issued in 2010 clarify many of the rules on mental health parity. Compliance with these final regulations is required for plan years beginning on or after July 1, 2010. Calendar year plans need to consider appropriate changes effective January 1, 2011.

***For more information regarding any of the issues in this year-end roundup, contact a member of your Dominion Benefits Account Team.***