



Early Retiree Reinsurance Reimbursement Available

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The Patient Protection and Affordable Care Act and Health Care and Education Reconciliation Act (Health Care Reform Acts) include a program, which began in June, where significant portions of early retiree health insurance can be reimbursed. This could potentially render significant savings on the costs of early retiree health insurance.

The Early Retiree Reinsurance Program (ERRP) provides a reimbursement amount of 80% of claims costs paid for each early retiree, and his or her spouse and dependents, valued between \$15,000 and \$90,000 during a plan year. Employers who maintain an employment-based health benefits plan for early retirees who are at least 55 years of age, but not yet eligible for Medicare, may be eligible to receive these benefits.

An employer must meet several requirements before becoming eligible for the ERRP's funds, the first of which is submitting an application. The Department of Health and Human Services released the final application for the ERRP, a copy of which can be found at [http://www.hhs.gov/ociio/Documents/official-errp-program-application .pdf](http://www.hhs.gov/ociio/Documents/official-errp-program-application.pdf).

As part of the application process, an employer must show how reimbursements will be used to meet certain program requirements, such as cost-savings for participants with certain chronic and high-cost conditions and reductions of health benefit or health premium costs. The application also requires employers to provide projected reimbursement amounts for the first two plan year cycles, list all benefit options within a plan under which reimbursements may be received, and acknowledge the inclusion of fraud, waste and abuse prevention procedures in the health plan.

Once an employer's application is approved and the employer is certified, the employer can request reimbursements. Requests must include a list of early retirees, documentation of actual costs for items and services, and evidence that the early retiree paid his or her share of the costs (if applicable).

Reimbursements can only be used for purposes outlined in the ERRP. The ERRP does not permit the employer to place the reimbursement into general operating expenses. Any proceeds received under the ERRP must be used to either: (1) reduce the sponsor's health benefit premiums or health benefit costs; (2) reduce plan participants' health benefit premium

contributions, copayments, deductibles, coinsurance, or other out-of-pocket costs, or any combination of these costs; or (3) reduce any combination of the costs specified in (1) and (2) above.

If you are considering applying for reimbursements, you should file your application as soon as possible. The ERRP is a temporary program, and funds are paid out on a first-come, first-served basis. The funds for the ERRP are limited to \$5 billion and the program ends on January 1, 2014 or when the funds are exhausted, whichever is sooner.

Should you have any questions regarding the ERRP or the application process, please do not hesitate to contact us.

This article should not be construed as legal advice and is intended for general informational purposes only. If you have any questions, you should consult your legal counsel.