CareFirst BlueCross BlueShield
Health Care Reform Update

CareFirst BlueCross BlueShield

For Distribution to Brokers/General Producers/Full-Service Producers Only

September 10, 2010

Grandfathered Plans and Turnkey Benefit Changes Effective 10/1/2010

Market: 2-199

The Federal Health Care Reform Act defines "grandfathered" status for plans that were in effect, and maintained continuous enrollment since March 23, 2010. Because some groups may have questions about grandfathered status, we have prepared the attached overview which explains:

- What it means to have a grandfathered plan.
- What changes will be required of plans that are not grandfathered.
- What changes can be made to a plan and still maintain its grandfathered status.

The attached overview does not constitute legal advice and groups should consult with their own counsel if they have any questions. You may wish to share this information with your groups.

"Turnkey" Changes to Group Plans in the 2 – 199 Market

Effective October 1, 2010, the following changes will be made to all group benefit plans in the 2-199 market:

NO LIFETIME MAXIMUM

If a plan was previously subject to a lifetime maximum limit, this limit has been removed.

NO ANNUAL DOLLAR LIMIT ON ESSENTIAL HEALTH BENEFITS

Any annual dollar limit that may have applied to Essential Health Benefits (including, for example, DME or Hearing Aids) has been removed. Some services not classified as "essential" (including in-vitro fertilization, artificial insemination and hair prosthetics) may still be subject to annual benefit limits. This provision does not change any annual visit limits that may apply to specific services.

NO COST-SHARING FOR PREVENTIVE SERVICES

An expanded range of preventive services, including recommended immunizations and screenings, can be obtained from participating providers at no cost – no deductible, copayment or coinsurance.

EMERGENCY SERVICES

If a member receives Emergency Services from an out-of-network provider, that member will pay at the same coinsurance and copay level as he or she would pay for in-network services.

Any plans that had prescription drug plans with dollar limitations will keep those dollar limits until their next renewal. At the next renewal, CareFirst will price the plan that is most similar to their current plan, but without the annual dollar limit. As part of their renewal, the group will be able to choose a different plan.

Benefit Summaries
We are working now to update all benefit summaries to reflect these upgrades. We expect those to be completed soon.

Health Care Reform Insert
A new insert that explains these benefit upgrades is available on the Sales Ordering System to include in the Print on Demand enrollment books. Item number CST1014 will appear as a Medical Benefits Amendment, and will be a "required" piece for plans where the benefit summary hasn't been updated to show the new benefits. A copy of this insert is attached.

Should you have any questions, please contact your Broker Sales Representative.

Shekar Subramaniam
Associate Vice President, Broker Sales

Grandfather Clause

The Patient Protection and Affordable Health Care Act (or Federal Health Care Reform) includes a provision that allows existing health plans to be exempt or "grandfathered" from some of the reform mandates, provided that they meet certain requirements.

A health plan in effect prior to the enactment of Federal Health Care Reform, on March 23, 2010, is considered grandfathered unless certain changes are made that would cause the plan to lose its grandfathered status.

Changes that will result in the loss of grandfathered status include:

- Eliminating benefits to diagnose or treat a condition.
- Increasing coinsurance above levels in place on or before March 23, 2010.
- Increasing deductibles and out-of-pocket maximums by more than the sum of medical inflation plus 15 percentage points from their March 23, 2010 levels.
- Increasing copayments by an amount that exceeds the greater of:
  - a total percentage (measured from March 23, 2010) that is more than the sum of medical inflation, plus 15 percentage points; or
  - $5, increased annually by medical inflation.
- Reducing employer contributions based on the cost of coverage or a formula by more than 5 percentage points below the contribution rate on March 23, 2010.
- Changing from one insurer to another (risk business only).

Changes that may not result in the loss of grandfathered status:

- Increase in benefits, such as eliminating cost sharing on preventive services.
- Increase in premiums, so long as the employer does not decrease its contribution toward such premiums by more than 5%.
- Change in Brokers.
- Change from insured to self-insured, or a change to a group's TPA.
- Changes required to comply with federal or state law.
- Change to the provider network.
- Change to the drug formulary.
- Addition of new employees onto an existing group plan.
- Addition of dependents on group and individual plans, as permitted under the terms of the existing contract.

These are not all-inclusive. You can learn more by visiting **www.healthcare.gov**.

Decision Point: To Grandfather or Not to Grandfather?

Grandfathered plans need not conform to all the provisions of the federal health care reform. Mandates that are not applicable to grandfathered plans include:

Beginning in 2010

- Preventive coverage without cost-sharing.
- New Internal and External Appeals processes.
- Selection of pediatrician as PCP & direct access to OB/GYN.
- Uniform cost-sharing for out-of-network and in-network emergency services.
- Prohibited discrimination in favor of highly compensated individuals.

Beginning in 2014

- Premium rating standards – can use only individual/family, geographic area, 3:1 on age, 1.5:1 on tobacco.
- Guaranteed availability and renewability of coverage.
- Comprehensive health insurance coverage (Minimum Creditable Coverage – at least 60% of the actuarial value of the covered benefits).
- Coverage for individuals participating in clinical trials.

A few things to consider

Before making the decision about grandfathering a group health plan, you should consider the following:

- Most of the advantages to grandfathering are not apparent until 2014.
- To retain grandfathered status, small employers must pay for a greater share of the cost increases, rather than pass those costs on to their employees.
- Allowed benefit changes (15% plus CPI) are cumulative, not annual.
- It will be more difficult for small employers to be flexible in managing increased premiums, since they can make only small, incremental changes to ameliorate those increases.
- Essentially, increasing what your employees must pay or decreasing employee benefits will cause a plan to lose its grandfathered status.

The grandfather provisions of the federal health care reform law are very detailed. This document does not constitute legal advice. We recommend that you consult with legal and financial advisors as you make a decision about maintaining the grandfathered status of your plan.

Examples of fixed-dollar, cost-sharing increases permitted for 2011:

Copay Examples (using special $5 rule)	
March 23, 2010	2011 maximum*
$20	$25.00
$25	$30.00
$35	$40.30
$40	$46.06
$50	$57.58
$100	$115.16

Deductible Examples	
March 23, 2010	2011 maximum*
$100	$115.16
$500	$575.80
$1,000	$1,151.60
$2,000	$2,303.20
$2,500	$2,879.00
$5,000	$5,758.00

** Based on 2010 CPI-U values for January through May; values for later months in 2010 may support higher 2011 maximums.*

Benefit Upgrade

Health Care Reform

Enhanced Benefits Effective October 1, 2010

The Patient Protection and Affordable Care Act, also referred to as the federal health reform law, was enacted on March 23, 2010. It provides that certain additional benefits be included in health plans when they are renewed on or after September 23, 2010. CareFirst is providing these additional benefits effective October 1, 2010.

Effective October 1, 2010 the following upgrades will apply to your plan:

No Lifetime Maximum

If your plan was previously subject to a lifetime maximum limit which capped the benefits you could potentially be paid by CareFirst, this cap has been removed.

No Annual Dollar Limit on Essential Health Benefits

Any annual dollar limit that may have applied to Essential Health Benefits (including, for example, Durable Medical Equipment or Hearing Aids) is removed from your coverage. This does not change any annual visit limits that may apply to specific services.

No Cost-Sharing for Preventive Services

An expanded range of preventive services, including recommended immunizations and screenings, can be obtained from participating providers at no cost to you – no deductible, copayment or coinsurance.

Emergency Services

If you receive Emergency Services from an out-of-network provider, you will pay the same coinsurance and copay level as you would pay for in-network services.

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