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Summary of Benefits and Coverage – Update Materials

The agencies have jointly issued another set of healthcare reform [FAQs](#) addressing changes to the summary of benefits and coverage (SBC) effective for coverage beginning on or after January 1, 2014 and before January 1, 2015 (referred to as “the second year of applicability”). Included in the updated materials is a new [SBC Template](#) and a [Sample Completed SBC](#), both authorized for the second year of applicability.

Background. The Affordable Care Act directed the agencies to develop standards for use by group health plans in compiling and providing an SBC that “accurately describes the benefits and coverage under the applicable plan or coverage.” In early 2012, the agencies published final SBC rules and a notice announcing the availability of SBC templates, instructions, and related materials authorized for implementing the SBC disclosure provisions for the first year of applicability (that is, for SBCs provided with respect to coverage beginning before January 1, 2014). See our Update for more information. The SBC templates authorized for the first year of applicability did not include language regarding whether a plan provides minimum essential coverage (MEC) and whether the plan’s share of the total allowed costs of benefits provided under the plan meets applicable minimum value (MV) requirements (that is, the plan’s share of the total allowed costs of benefits provided under the plan is not less than 60% of such costs). When these original templates were released, the agencies stated that updated materials would be issued for later years.

New templates for SBCs and the uniform glossary required to be provided after the first year of applicability.

The updated SBC template (and sample completed SBC) are now available at www.dol.gov/ebsa/healthreform. These documents are authorized for use by group health plans for SBCs provided with respect to coverage beginning on or after January 1, 2014, and before January 1, 2015 (referred to as “the second year of applicability”). The only change to the SBC template and sample completed SBC is the addition of statements of whether the plan provides MEC and whether the plan meets the MV requirements. This information can be relevant to employees for two reasons. First, enrollment in MEC is required to avoid individual mandate penalties. Second, information about MV is relevant for determining potential eligibility for subsidized Exchange coverage. Generally, an employee will be disqualified from subsidies if he or she is offered employer-sponsored MEC that provides MV and is affordable. (Note that the SBC does not require any information about affordability).

There are no changes to the uniform glossary (a separate document that is a companion to the SBC). There are also no changes to the Instructions for Completing the SBC, “Why This Matters” language for the SBC, or to the coverage examples (relating to having a baby and managing diabetes). Also, while no changes have been made to the SBC template or sample regarding annual limits, there is recognition that, for plan years beginning on or after January 1, 2014, the prohibition on imposing annual limits on the dollar value of essential health benefits will take effect. Thus, the agencies have indicated that no enforcement action will be taken against a plan that modifies its SBC for the second year of applicability by removing the entire row containing the question “Is there an overall annual limit on what the plan pays?”

Relief available to provide information about MEC and MV without changing the SBC template. Some plans are already working on the process of preparing SBCs for issuance in the second year of applicability and it would be an administrative burden to add the new data element to the template at this point in the process. To the extent it would be administratively burdensome for a plan to modify its SBCs to add this new information, the agencies indicate that no enforcement action will be taken for using the previous template, provided that the SBC is furnished with a cover letter or similar disclosure stating whether the plan does or does not provide MEC and whether the plan’s share of the total allowed costs of benefits provided under the plan or coverage does or does not meet the MV requirement. The language for these statements is as follows:

Does this Coverage Provide Minimum Essential Coverage?

The Affordable Care Act requires most people to have healthcare coverage that qualifies as “minimum essential coverage.” **This plan or policy [does/does not] provide minimum essential coverage.**

Does this Coverage Meet the Minimum Value Standard?

The Affordable Care Act establishes a minimum value standard of benefits of a health plan. The minimum value standard is 60% (actuarial value). **This health coverage [does/does not] meet the minimum value standard for the benefits it provides.**

In an effort to ensure a smooth transition in 2014, the agencies have extended existing enforcement relief relating to various facets of SBC compliance (e.g., the circumstances in which the SBC may be provided electronically, penalties for failure to provide the SBC or uniform glossary) through the end of the second year of applicability. The agencies also emphasize their continued focus on assistance with implementation, rather than enforcement through penalties. The extended enforcement relief is welcome news for plan sponsors.

Should you have questions about this or any aspect of federal health insurance reform, contact your Conner Strong & Buckelew account representative toll free at 1-877-861-3220. For a complete list of Legislative Updates issued by Conner Strong & Buckelew, visit our online [Resource Center](#).

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