

# REFORM UPDATE

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## UPDATED PROPOSED SBC TEMPLATE

The Affordable Care Act (ACA) added a new communication requirement for health plans called the summary of benefits and coverage (SBC). SBCs are intended to allow individuals to easily compare benefit options among individual and employer-sponsored plans. The latest SBC regulations are summarized in our *Reform Update* at [http://mcgrawwentworth.com/wp-content/uploads/Reform\\_Update\\_99.pdf](http://mcgrawwentworth.com/wp-content/uploads/Reform_Update_99.pdf).

Employers and insurance carriers are responsible for providing SBCs at different times during the year to eligible employees and new enrollees:

- When the employee first becomes eligible for coverage
- When a midyear change in status triggers special enrollment rights
- At open enrollment each year
- Upon request

A new proposed template was introduced in 2015, and was initially intended to become effective on January 1, 2016. However, the government wanted additional time to gather feedback.

The government ultimately did make changes to the SBC in response to feedback. They then published the following new templates and materials in February 2016:

- Summary of Benefits and Coverage (SBC) Template [[PDF](#)] [[MS Word](#)]
- Sample Completed SBC [[PDF](#)] [[MS Word](#)]
- [Instructions for Completing the SBC -- Group Health Plan Coverage](#)
- [Instructions for Completing the SBC -- Individual Health Insurance Coverage](#)
- [Why This Matters language for "Yes" Answers](#)
- [Why This Matters language for "No" Answers](#)
- [Proposed Guide for Coverage Examples Calculations -- Maternity Scenario, Diabetes Scenario, and Foot Fracture](#)

- [Proposed Coverage Examples Narrative -- Maternity Scenario](#)
- [Proposed Coverage Examples Narrative -- Diabetes Scenario](#)
- [Proposed Coverage Examples Narrative -- Foot Fracture](#)
- [Uniform Glossary of Coverage and Medical Terms](#)

The SBC and the uniform glossary are materials your employees can review. The additional materials in the above list are used to properly complete the SBCs for your health plan options. One SBC needs to be completed for each medical plan offered to your employees. Therefore, if you offer three medical plans [for example, an Health Maintenance Organization (HMO), a Preferred Provider Organization (PPO) and a Consumer-Driven Health Plan (CDHP)], a unique SBC needs to be completed for each plan.

The government is seeking comment on the proposed changes to the materials. The changes are summarized as follows:

- A new question has been added to help individuals better identify first-dollar coverage.
- More details have been added on embedded deductibles and out-of-pocket limits. Plans will be required to disclose whether deductibles and out-of-pocket limits are embedded.
- More information will be required related to tiered networks. Plans need to be clear on which tier is the least expensive and which tier is the most expensive.
- Three coverage examples are included in the revised SBC (maternity, diabetes and a simple foot fracture). The coverage examples disclose cost-sharing based on the services typically provided as treatment for these conditions. If a plan varies benefits based on wellness plan requirements, the cost-sharing must reflect someone who is not participating in the wellness plan. However, the plan can indicate that cost-sharing is reduced if the individual participates in the wellness plan.
- The new format has fewer pages than the original SBC because some of the elements were removed, such as information on pre-existing conditions. The new template has only five pages of content, compared with eight pages in the original SBC.
- New language regarding minimum essential coverage and minimum value is part of the template, to address issues related to the ACA.
- New continuation and appeals/grievance rights language is included.
- The uniform glossary has been updated.

Once comments are received, the government will release the final materials related to the SBC. The government just pushed back the effective date for using the new templates again. The February guidance targets January 1, 2017. However, a new Frequently Asked Questions (FAQ) pushes back that target date. Once the template is finalized, the new template must be used as of the first day of your first plan year on or after April 1, 2017. In addition, the new template must be used for the open enrollment period associated with that plan year. For a calendar year plan, the new template would be used for the open enrollment in the fall of 2017. It also must be used in all situations January 1, 2018 and after.

The new guidance reiterates that fully-insured and self-funded expatriate plans issued in the United States are exempt from the SBC requirements.

## CONCLUDING THOUGHTS

The government needs to finalize these materials before employers can begin updating their SBCs.

For fully-insured plans, the insurance carrier will complete the SBC on behalf of the plan. The distribution responsibility is shared by the employer and the insurance carrier. However, the employer will generally handle distribution, as most of the events requiring the provision of an SBC are communicated directly by the employer.

Employers with self-funded plans are responsible for issuing and distributing the SBC, although many third-party administrators will create SBCs on behalf of their clients. In some cases, they may charge a fee for this service. If you are responsible for drafting it, look at the recommended “why this matters language” when creating your SBC.

At this point, the new proposed SBC template is not finalized. Employers should look for the finalized template so they can update their materials for open enrollment later this year.

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