



Grandfather Rules Reversed!

November 15, 2010

Employers will be able to change insurers and still keep health care plans that are similar to what they have had without having to meet all the new requirements of the health care reform law, under proposed and interim final rules issued yesterday

The grandfather regulation includes a number of rules for determining when changes to a health plan cause the loss of grandfathered status. For example, plans could lose grandfather status if the employer chose to make certain changes that reduce benefits or increase costs to consumers.

This amendment modifies one aspect of the original regulation.

Previously, one of the ways an employer group health plan could lose its grandfather status was if the employer changed issuers - switching from one insurance company to another. The original regulation only allowed self-funded plans to change third-party administrators without necessarily losing their grandfathered plan status. Today's amendment allows all group health plans to switch insurance companies and shop for the same coverage at a lower cost while maintaining their grandfathered status, so long as the structure of the coverage doesn't violate one of the other rules for maintaining grandfathered plan status..

What does this mean for you?

The purpose of the grandfather regulation is to help people keep existing health plans that are working for them. This amendment furthers that goal by allowing employers to offer the same level of coverage through a new issuer and remain grandfathered, as long as the change in issuer does not result in significant cost increases, a reduction in benefits, or other changes described in the original grandfather rule.

Why did HHS, Labor and Treasury make this change?

The Departments received many comments on the provision in the original grandfather rule stating that a group health plan would relinquish grandfather status if it changed issuers or policies. This change was made in response to those comments for the following reasons:

1. There are circumstances where a group health plan may need to make administrative changes that don't affect the benefits or costs of a plan. For example, an insurer may stop offering coverage in a market. Or a company may change hands. In those cases, the employer can maintain grandfathered status for their employee's plan under this amendment.
2. Comments expressed concern that the original provision could have the inadvertent effect of interfering with health care cost containment. If an employer has to stay with the same insurance company to keep the benefits of having a grandfathered plan, the insurance company has undue and unfair leverage in negotiating the price of coverage renewals. Allowing employers to shop around can help keep costs down while ensuring individuals can keep the coverage they have.

What types of plans does this affect?

The amendment affects insured group health plans. A change of issuers *in the individual market* would still result in the loss of grandfathered status.