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Group Health Plans and Health Insurance Coverage Rules Relating to Status as a Grandfathered Health Plan Under the Patient Protection and Afforable Care Act

Comment On: *IRS-2010-0010-0001*
Group Health Plans and Health Insurance Coverage: Interim Final Rules for Relating to Status as a Grandfathered Health Plan under the Patient Protection and Affordable Care Act

Document: IRS-2010-0010-0029
Comment on FR Doc # 2010-14488

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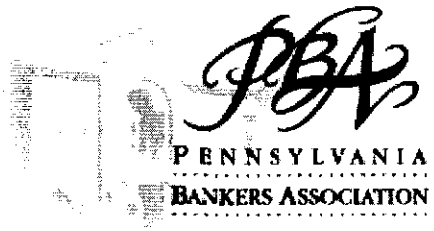
General Comment

Attached please find comments from the Pennsylvania Bankers Association.

Attachments

IRS-2010-0010-0029.1: Comment on FR Doc # 2010-14488



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August 4, 2010

Office of Consumer Information and Insurance Oversight
Department of Health and Human Services
Room 445-G Hubert H. Humphrey Building
200 Independence Ave. SW
Washington, DC 20201

Re: OCIIO-991-IFC, The Interim Final Rules for Group Health Plans and Health Insurance Coverage Relating to Status as a Grandfathered Health Plan Under the Patient Protection and Affordable Care Act

Thank you for the opportunity to comment on the Interim Final Rules regarding grandfathered health plans under the Patient Protection and Affordable Care Act. The Pennsylvania Bankers Association is a section 501(c)(6) trade association representing approximately 170 financial institutions serving customers in the Commonwealth of Pennsylvania.

As an employer, PBA has less than 20 employees. In fact, most trade associations are small and medium sized tax-exempt organizations. PBA and other small organizations are often captive to a small number of health insurance providers because we do not have the economic clout of larger enterprises.

As an employer, PBA has purchased health insurance for our eligible employees on a fully-insured basis. We do not have the resources or ability to self-insure as a means to control our health insurance costs and benefits. PBA and many organizations like it will greatly benefit from the expanded options for health insurance that will be available beginning in 2014 through the Exchange. The Exchange will allow the small and medium-sized organizations to benefit from the economics of pooling that currently are not available.

However, because the benefits of the Exchange will not be realized until 2014, most associations will continue to experience annual cost increases and lack of control over actual coverage until 2014. As such, the grandfathering of our existing coverage is extremely important, especially prior to the establishment of a working Exchange system.

We are concerned that the grandfather provisions outlined in the Interim Final Rules are too restrictive and will cause many organizations to lose the grandfathering they expected. If forced to consider options of a non-grandfathered plan before they have the benefit of an Exchange, we are concerned that they may be priced out of the market and may even have to drop coverage – something they do not want to do and a unintended result of health care reform.

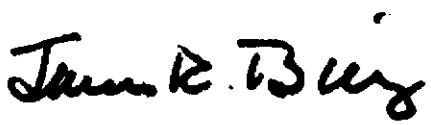
There are subsidies available for small employers to help offset the costs of providing insurance, but these credits are very limited and start to be phased out if an employer has over 10 employees and is completely phased out if there are 25 or more employees. The credits are also phased out for employers with even modest-sized compensation packages. So while these subsidies do provide assistance for some small tax-exempt employers, their benefit is very limited.

Because many tax-exempt organizations like PBA are small in terms of total numbers of employees, and because they generally cannot self-insure, they are often at the mercy of health insurance plans sold by private carriers. These employers do not have much control over co-pays and cost-sharing. As such, simple changes to plans beyond the control of these employers can cause their plans to lose grandfather status. And since the Exchange is not currently in place, we anticipate that the prospect of finding new affordable insurance that meets the new requirements of the Patient Protection and Affordable Care Act is problematic at best. Further, in order to control costs so that health insurance can be purchased for employees, we and others often need to work with our current insurance carriers to adjust copays and cost sharing to the extent we can in order to afford coverage, especially in the current economic environment.

We are concerned that Interim Final Rules as currently drafted may force some organizations to make the difficult and undesirable choice of canceling health care coverage if grandfather status is revoked, especially before the Exchange is in place. This is a very real concern, and in recent years significant modifications and cancellations have occurred due to rising health care costs.

We would suggest for the transition period before the Exchange is established, that small and medium sized employers be allowed to make cost saving changes to copayments and cost sharing provided they do not reduce the per-employee amount they pay for insurance. This could help these organizations adjust and preserve coverage in anticipation of greater reform and options that will occur beginning in 2014.

We also suggest that small and medium sized employers be allowed to change insurance carriers prior to 2014 and have their plans treated as grandfathers plans provided that provided they do not reduce the per-employee amount they pay for insurance. This would allow them to maintain the level of coverage for employees, but reap the benefit of a less expensive plan prior to the implementation of the Exchange.

Thank you for this opportunity to express our views on this important issue.

Sincerely,