CONNER STRONG & BUCKELEW

legislativeUPDATE

February 17, 2012

Final Rules for Summary of Benefits and Coverage (SBC)

The agencies have issued final regulations on the Summary of Benefits and Coverage (or "SBC") requirements under healthcare reform, along with compliance guidance (including templates, instructions and related materials) and an official fact sheet. These regulations finalize the proposed rules issued in August 2011 and make very few changes to the uniform format and appearance for SBCs.

All health plans must provide an SBC to employees at important points in the enrollment process. The SBC requirements apply to disclosures made to those enrolling or re-enrolling in group health plan coverage through an open enrollment period beginning on or after September 23, 2012. For enrollments occurring outside of open enrollment (such as for individuals who are newly eligible for coverage and new hires) the requirements apply beginning on the first day of the first plan year that begins on or after September 23, 2012. So, for a plan sponsor with a calendar year plan year and a calendar year open enrollment cycle, the SBC requirements apply beginning as of January 1, 2013. For disclosures in the individual market, these requirements are applicable to health insurance issuers beginning on September 23, 2012.

Participants must have access to two key documents intended to help them understand and evaluate their health insurance choices:

- A Summary of Benefits and Coverage; and
- A Uniform Glossary of terms commonly used in health insurance coverage, such as "deductible" and "co-payment." Language on the uniform glossary provides that individual plan terms may differ from the general definitions provided in the uniform glossary.

See the DOL healthcare reform website for a link to all SBC reference materials. The SBC must generally be presented in a uniform format, use terminology understandable by the average plan enrollee, not exceed four double-sided pages in length, and not include print smaller than 12-point font. The instructions provide for flexibility to the extent that the plan's terms cannot reasonably be described in a manner that is consistent with the template instructions, e.g., tiering for prescriptions and providers. The final SBC rules will allow plans to describe such terms using "best efforts."

Additional tools are available to help a plan sponsor complete the SBC.

- Sample Completed SBC (pdf)
- Instructions for Completing the SBC – Group Health Plan Coverage
- Why This Matters language for SBC "Yes" Answers
- Why This Matters language for SBC "No" Answers

A key feature of the SBC is a standardized plan comparison tool called "coverage examples," similar to the Nutrition Facts label required for packaged foods. The coverage examples illustrate sample medical situations and describe how much coverage the plan would provide in an event such as having a baby (normal delivery) or managing Type II diabetes (routine maintenance, well-controlled). Baby delivery and diabetes are the only two required coverage examples, although the agencies reserve the right to require up to six coverage examples in the future. These examples are intended to help participants understand and compare what they would have to pay under each plan they are considering.

- Guide for Coverage Examples Calculations – Maternity Scenario
- Guide for Coverage Examples Calculations – Diabetes Scenario
- Narratives for Maternity Scenarios
- Narratives for Diabetes Scenarios

SPD. The SBC can be provided as part of a summary plan description (SPD) as long as the SBC is "prominently displayed" in the SPD.

Electronic Delivery. Current participants are eligible to receive the SBC electronically under the applicable ERISA electronic delivery rules. For those eligible for coverage but not yet enrolled, a paper postcard may be sent either electronically or via regular mail alerting individuals to the website where the SBC materials may be provided.

Material Modifications. If a material modification is made to any terms of the plan/coverage that would affect the content of the SBC, and it occurs other than in connection with a renewal or reissuance of coverage, the plan must provide notification of the modification not later than 60 days prior to the date on which the modification will become effective.

Employers are advised to continue to monitor healthcare reform developments. 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.

This Legislative Update is provided for general informational purposes only and is not intended to be legal advice. Readers are urged to contact an attorney for legal advice or assistance.