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**Docket:** IRS-2010-0010

Group Health Plans and Health Insurance Coverage Rules Relating to Status as a Grandfathered Health Plan Under the Patient Protection and Affordable 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-2010-0010-0640

Comment on FR Doc # 2010-14488

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## Submitter Information

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Washington, DC,

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**Organization:** SOCMA

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## General Comment

See attached file(s)

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## Attachments

**IRS-2010-0010-0640.1:** Comment on FR Doc # 2010-14488

August 12, 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: OCIO-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**

On behalf of the Society of Chemical Manufacturers and Affiliates (SOCMA), we appreciate the opportunity to comment on the Interim Final Rules regarding grandfathered health plans under the Patient Protection and Affordable Care Act. SOCMA is a section 501(c)(6) trade association representing the batch and custom chemical industry and is comprised of approximately 250 member companies.

It is important to note that SOCMA members are typically small to medium-sized businesses, each with up to \$100 million in annual sales. Our members make a \$60 billion annual impact on the U.S. economy and contribute to the chemical industry's position as one of the nation's biggest exporters.

The vast majority of our members purchase health insurance for their employees which is fully insured. They generally do not have the resources or ability to self-insure as a means to control their health insurance costs and benefits. Most of these companies will greatly benefit from the expanded options for health insurance that will be available beginning in 2014 through the Exchange. The Exchange will allow our small and medium-sized members to benefit from the economics of pooling that is not currently available.

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

We are greatly concerned that the grandfather provisions outlined in the Interim Final Rules are too restrictive and will cause many of our members 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 an ironically tragic result given the intent 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 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 control over copays 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, these organizations often need to work with their current insurance carriers to adjust copays and cost sharing to the extent they 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 companies 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 grandfathered 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,

Lawrence D. Sloan  
President and CEO