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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 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-2010-0010-0945

Comment on FR Doc # 2010-14488

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Submitter Information

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General Comment

Attached

Attachments

IRS-2010-0010-0945.1: Comment on FR Doc # 2010-14488

August 16, 2010

TO: The Honorable Kathleen Sebelius
Secretary of Health and Human Services

FROM: Marti Lolli, Director of Health Care Reform
Priority Health/Grand Rapids, MI

RE: OCIO-991-IFC; 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 Section 1251 of the Patient Protection and Affordable Care Act (PPACA). We respectfully submit two suggestions for your consideration:

SUGGESTION 1:

A change in insurance carriers should not trigger the loss of grandfathered status as long as the benefits remain the same.

RATIONALE:

Competition plays an important role in managing costs. The provision in the interim regulation will stifle competition by preventing employers from switching to a less costly plan with equal benefits. The current regulation limits flexibility, locks employers into the current plan, and gives insurance carriers too much power.

Employers should be free to switch carriers and remain grandfathered especially if the new carrier provides the same benefits at a lower cost. Implementing this suggestion promotes competition and gives employers the freedom to choose the insurer that best meets their needs.

SUGGESTION 2:

The issuance of a new policy, certificate, or contract should not trigger the loss of grandfathered status.

RATIONALE:

Policies, certificates, and contracts are typically re-issued annually even if there are no changes to benefit design. This is done as part of the ordinary course of business. The provision as written will cause employers to lose grandfathered status simply for making standard changes. The grandfather regulation is intended to protect employees with respect to unfavorable changes to their health plans. This goal is accomplished by the other provisions of the regulation. For example, if an employer changes insurers or funding arrangements, but does not make changes that exceed the limits in the interim regulation, then the employer's plan should remain grandfathered. It is not necessary to also include a prohibition on a technical change to an employer's plan certificate, and in fact, this provision could prevent employers from being able to make plan design changes that are favorable to employees. This is another reason that this entire provision should be eliminated from the regulations.

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