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BULLETIN NO. 2010-05

TO: Licensed Alabama Health Insurers

FROM: Jim L. Ridling
Commissioner of Insurance *JLR*

DATE: May 17, 2010

RE: Early Retiree Reinsurance Program through U.S. Department of Health and Human Services

The recently enacted Patient Protection and Affordable Care Act (P.L. 111-148) established a temporary Early Retiree Reinsurance Program (ERRP) to be effective June 1, 2010, and ending on January 1, 2014.

This program provides reimbursement directly from Health and Human Services (HHS) to participating employment-based health plans for a portion of the cost of health benefits for early retirees (ages 55 and older who are not active employees and not yet eligible for Medicare) and their spouses, surviving spouses and dependents. The Affordable Care Act provides \$5 billion in financial assistance for this program, which will be allocated on a "first-come, first-served basis." The law states that payments through the program to the employment-based plan must be used to lower costs for the plan through a reduction of premium costs or to reduce premium contributions, copays, deductibles, coinsurance or other out of pocket costs for plan participants.

To participate in the ERRP, the employment-based health plan must submit an application to the HHS Secretary, become certified by the HHS Secretary, implement programs and procedures to generate cost-savings with respect to participants with chronic and high-cost conditions and provide documentation of actual cost of medical claims involved. Both self-funded and fully insured plans can apply, including plans sponsored by current or former employers, state and local governments, employee organizations and other employment-based plans as defined under the Affordable Health Care Act. Applications are expected to be available in June.

The Alabama Department of Insurance believes this ERRP can be of benefit for many Alabama employers in these uncertain economic times. We ask that you identify and contact all your employment-based group policyholders that would be eligible for the ERRP to inform them of the availability of this new program; encourage them to timely apply to participate; and, if possible, assist them in identifying the provisions in their plan that could qualify for the "cost-savings" or identifying revisions they might make to qualify.

JLR/KH/bc