Advantages and Disadvantages of Grandfathering

What is grandfathering?
“Grandfathering” means that some plans are exempt from some Health Care Reform provisions.

Will Grandfathering help to keep my costs down? Yes and No

Yes: The primary exemption permitted under a grandfathered plan is the full coverage of preventive services. Other exemptions allowed for grandfathered plans do not have a material impact on rates and therefore are not expected to increase costs.

No: You will not be able to make substantial changes to your cost sharing or premium contributions which may lead to higher overall costs.

No: Most plans cover preventive services because they see the value of reducing overall costs by preventing serious illness. In fact, prevention leads to happier, healthier and more productive employees.

For example:
A typical employer offering one of our more popular health plans will see a small impact in implementing preventive services with full coverage, for illustrative purposes; let's say less than 1%. By contrast, if that same employer wanted to compare the cost of being determined as grandfathered, the employer would not be able to:
- Increase any coinsurance amounts
- Increase any co-pay amounts
- Change it's contribution structure resulting in a decrease in employer contribution for any coverage tier by more than 5% (single person, 2 person or family)

For most employers, we believe that the cost of grandfathering will outweigh the cost of implementing preventive services at full coverage.

What health care reform provisions do I avoid by becoming grandfathered?
- Preventive services covered in full
- Premium Rating Standards
- Coverage for individuals participating in clinical trials
- Reporting requirements to HHS
  - Financial
  - Quality of care
- Appeals process changes

What health care reform provisions are still mandated even if I am grandfathered?
- Prohibition on lifetime and annual limits
- Extension of dependent to Age 26
- No exclusion on preexisting conditions
- Prohibition of excessive waiting periods
- No rescissions

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The information provided here is not intended to advise you on how to comply with any provisions of the referenced legislation or related legislation or regulations, nor is it otherwise intended to impart any legal advice.