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## Grandfathered Plan Rules Amended to Allow for Change in Carrier

November 16, 2010

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### New Rule for Grandfathered Plans

Under the Patient Protection and Affordable Care Act (PPACA), health plans that existed on March 23, 2010 and have not undergone prohibited changes are generally considered "grandfathered plans." Grandfathered plans are exempt from some of the health care reform requirements.

Regulations were issued on June 17, 2010 regarding grandfathered plans. These regulations provided that certain changes to an existing plan could cause the plan to lose its grandfathered status. For example, plans could lose grandfathered status by significantly increasing copays or reducing benefits under the plan. Under the initial rule, plans would also lose grandfathered status by changing insurance policies/carriers, even if no other prohibited changes were made to the plan.

The Departments of Labor, Health and Human Services and Treasury (the Departments) have now amended the grandfathered plan regulations to **permit insured group health plans to change insurance policies or carriers**. Under the amended rule, group health plans will no longer automatically lose their grandfathered status merely because of a change in the plan's insurance policy, certificate or contract of insurance. However, **making any other prohibited change will still cause a loss of grandfathered status**.

The amendment applies to changes to group health insurance coverage that are **effective on or after November 15, 2010**. The amendment **does not apply retroactively** to changes to group health insurance coverage that were effective before November 15, 2010. For purposes of determining when a change is effective, the date the new coverage becomes effective is the operative date, not the date a contract for a new policy, certificate or contract of insurance is entered into.

### Other Grandfathered Plan Guidelines Still Apply

Although grandfathered plans can now change policies or issuers without automatically losing grandfathered status, the plan will still cease to be a grandfathered plan if the new policy includes changes that are prohibited by the original regulations. As with the other provisions of the regulations, the amended rule applies separately to each benefit package made available under a group health plan.

For additional information, please contact your Lawley Benefits Consultant.

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