



EMPLOYEE BENEFITS BULLETIN

February 12th, 2010

Employer CHIP Notice Now Available

On February 4, 2009, President Obama signed the Children's Health Insurance Program Reauthorization Act of 2009 (CHIPRA -Pub. L. 111-3). As part of the implementation of this law, the Departments of Labor (DOL) and Health and Human Services (HHS) have developed a model notice for employers to use to inform employees of potential opportunities available for group health plan premium assistance under state Medicaid and the Children's Health Insurance Program (CHIP).

The model notice must be provided to those employees who live in states that offer premium assistance under state Medicaid or CHIP (a recent listing of these states is found under **EMPLOYER CHIP NOTICE**, appearing later in this bulletin).

The notice must be provided annually on the first day of each plan year beginning on or after February 4, 2010. For March and April 2010 plan years, the initial distribution date has been deferred to May 1, 2010. Calendar year plans will begin to comply as of January 1, 2011.

The model notice is available at: <http://www.dol.gov/ebsa/chipmodelnotice.doc>.

Background

CHIPRA contains a number of provisions that impact group health plans. Effective April 1, 2009, CHIPRA created two new special enrollment rights when an employee and/or dependent loses eligibility for Medicaid or CHIP or gains eligibility for a state premium assistance subsidy.

Some states may make available premium assistance for certain eligible employees and their dependents. Generally, the states use funds from their Medicaid or CHIP programs to help people who are eligible for employer-sponsored health coverage receive premium assistance to enroll in the employer coverage. In order to take advantage of this, the individual must live in a state that offers such a program, be eligible for the program and have access to qualified employer-sponsored coverage.

Qualified employer-sponsored coverage means a group health plan (or health insurance coverage) offered through an employer that:

- Qualifies as creditable coverage,
- Has an employer contribution of at least 40% toward any premium for the coverage;

- Is offered in a manner that is nondiscriminatory under Code §105(h); and
- Is not health FSA coverage or a qualified high-deductible health plan coverage (as defined under Code § 223).

Generally, employers have two options when dealing with a state that provides premium assistance. If the employer has individuals who are eligible for the premium assistance, the employer may either receive the premium assistance payment directly from the state or opt-out. If the employer opts-out, the state pays the individual the premium assistance amount directly.

CHIPRA also imposes two new notice requirements on employers, the Employer CHIP Notice (described below) and a coverage coordination disclosure for reporting certain information to the state in order to evaluate whether the premium assistance program is cost effective. This second notice is not yet available.

EMPLOYER CHIP NOTICE

Who provides the notice?

Under CHIPRA, if an employer offers a group health plan in a state that provides premium assistance for the purchase of group health plan coverage, the employer is required to provide each employee that resides in that state with the Employer CHIP Notice.

As of January 22, 2010 the following states offer one or more programs that meet this standard:

- Alabama · **Alaska** · Arizona · Arkansas
- California · **Colorado** · Florida · Georgia
- Idaho · **Indiana** · Iowa · Kansas
- Kentucky · **Louisiana** · Maine · Massachusetts
- Minnesota · **Missouri** · Montana · Nebraska
- Nevada · **New Hampshire** · **New Jersey** · **New Mexico**
- New York · **North Carolina** · North Dakota · **Oklahoma**
- Oregon · **Pennsylvania** · **Rhode Island** · **South Carolina**
- Texas · **Utah** · **Vermont** · **Virginia**
- Washington · **West Virginia** · **Wisconsin** · **Wyoming**

Who receives the notice?

An Employer CHIP Notice must inform each employee of potential opportunities for premium assistance in the state where the employee resides, regardless of enrollment status. The state where the employee resides may be different from where the employer, the employer's principal place of business, the health plan, insurer or other service provider is located. Employers may provide the Employer CHIP Notice only to those employees residing in states with premium assistance programs, or for administrative ease, to all employees.

When should an employer provide the notice?

Employers are required to provide this notice by the date that is the later of:

- The first day of the first plan year after February 4, 2010, or

- May 1, 2010.

For plan years that begin between February 4, 2010 and April 30, 2010, the rule requires that the Employer CHIP Notice is provided by May 1, 2010.

For plan years beginning on or after May 1, 2010, the Employer CHIP Notice must be provided by the first day of the plan year. For calendar-year plans, the notice is due by January 1, 2011.

This notice will need to be provided annually. Each year, the DOL and HHS expect to update the notice and provide additional information, including any changes to the list of states that offer premium assistance programs.

How does an employer provide the notice?

The Employer CHIP Notice must be provided to each employee, regardless of enrollment status.

The notice may be provided when furnishing materials notifying the employee of health plan eligibility, concurrent with materials provided for open enrollment, or concurrent with providing the summary plan description (SPD), as long as:

- Such materials are provided no later than the dates described above,
- The materials are provided to all employees entitled to receive the Employer CHIP Notice, and
- The Employer CHIP Notice appears separately and in a manner which ensures that an employee who may be eligible for premium assistance could reasonably be expected to appreciate its significance.

One effective delivery method would be to include this notice as a separate, prominent document contained in the open enrollment materials and new-hire packets.

The notice may be provided electronically to the extent the delivery mechanisms satisfy the general rules for electronic delivery already established by the DOL.

Are there penalties if an employer fails to provide the notice?

The DOL may assess a civil penalty of up to \$100 per employee per day against an employer who fails to provide the Employer CHIP Notice.

How will an employee know if he or she is eligible for premium assistance in his or her state?

Contact information for questions and additional information regarding the premium assistance programs is included in the model notice, as is a toll-free number, 1-877-KIDSNOW, and a Web site, www.insurekidsnow.gov.

This information is intended to provide resources to assist an employee in determining whether he or she

is eligible for premium assistance. If an employee is eligible for assistance, he or she should contact the plan administrator (generally the employer) to request a special enrollment opportunity and enroll in the group health plan.

WHAT SHOULD I DO?

Employers should:

- Review the states where employees reside to determine whether you are required to provide this notice.
- For March and April renewals, make sure to provide the Employer CHIP Notice no later than May 1, 2010. This may be included in enrollment materials. If open enrollment materials have already been issued, you will want to provide this as a separate stand-alone notice prior to May 1, 2010.
- For plan years that begin May 1, 2010 and later, include the Employer CHIP Notice in enrollment materials.
- Annually, include this notice (and any updates) in enrollment materials;
- Honor special enrollment requests consistent with the requirements under CHIPRA;
- If applicable, determine whether to opt-out of receiving a premium assistance payment directly from the state; and
- Continue to monitor developments.

The Employee Benefits Bulletin is designed to highlight various employee benefit matters of general interest to our readers. It is not intended to interpret laws, regulations or to address specific client situations.