



March 31, 2009

Dear Valued First Administrators Client:

To ensure your group health plan is in compliance with federal mandates, this communication is to inform you that on February 4, 2009 the Children's Health Insurance Program Reauthorization Act of 2009 (CHIPRA) was signed into law. This Act affects HIPAA special enrollment rights effective April 1, 2009 and how group health plans must notify employees of these rights.

The Children's Health Insurance Program Reauthorization Act of 2009 (CHIPRA) extends and expands the State Children's Health Insurance Program (CHIP). CHIP was established in 1997 (under the acronym SCHIP) to provide affordable health coverage to children in working families who cannot afford private health coverage, but whose earnings are too high for purposes of eligibility for Medicaid. CHIP was originally authorized for 10 years and had been extended through March 31, 2009. CHIPRA extends the program through 2013.

New Special Enrollment Requirements

The Act provides the right for members, spouses, and dependents to enroll in a group health plan (if they are otherwise eligible) following one of the following events:

- The loss of eligibility under Medicaid or Children's Health Insurance Program (CHIP).
- Becoming eligible for premium assistance under Medicaid or CHIP.

The member, spouse, or dependent is required to request enrollment within 60 days following either of these events. The attached Amendment adds this special enrollment provision to your summary plan description. First Administrator's Sales Representatives and the Plan Documents team are available in assisting with any questions you may have.

New Annual Notice & Disclosure Requirement

CHIPRA also creates a new annual notice requirement. Group health plans must notify employees about any premium assistance program available in the state where the employee resides (which may be different than the state where the employee works). Congress directed the DOL and HHS to create model notices no later than February 4, 2010. The notice requirements will not go into effect until the first plan year following issuance of the model notices. Employers have the option to provide stand-alone notices or to include the notice along with notices of health plan eligibility, open enrollment materials or summary plan descriptions.

The plan will also, upon request, be required to disclose to the state information about the plan sufficient to determine whether providing a subsidy for coverage is more cost effective than providing Medicaid or CHIP coverage.

Premium Assistance

The new provisions allow states to provide premium assistance where:

- the employer contributes at least 40% of the premium;
- the plan qualifies as creditable coverage under HIPAA; and
- the plan satisfies certain nondiscrimination rules.

Notably, high deductible health plans and health flexible spending arrangements are excluded from the definition of qualified employer coverage. The premium assistance available for employer-sponsored insurance can be paid directly to the employer, or the employer can opt-out of receiving payments directly resulting in the state providing premium assistance directly to employees. The amount of premium assistance available is the incremental premium cost difference between coverage for the employee only and coverage for the employee plus the eligible child/children.

Penalties for Non-Compliance

Employers that do not comply with CHIPRA's requirements may be subject to fines of up to \$100 per day, per participant.

If you utilize an enrollment form created by First Administrators you will see a change to the Special Enrollment language on the form to comply with the new legislation. Please contact your First Administrator's Enrollment Specialist if you have any questions regarding the updates to your healthcare enrollment form.

We recommend you seek your own legal counsel for interpretation prior to finalizing any plan modifications based on mandated benefits.

Sincerely,

Emily Hoch

Director of Compliance