

# update

Compliance News for Staff Plans

April 21, 2016

## New Summary of Benefits and Coverage (SBC) Template Released

The Affordable Care Act requires that a Summary of Benefits and Coverage (SBC) form be completed annually for every health plan. The purpose of the SBC is to allow individuals to easily compare health coverage options when shopping for or enrolling in group or individual health coverage. On April 6, 2016, the Departments of Labor, Treasury, and Health and Human Services (the Departments), which together are responsible for implementing the group health plan standards under the Affordable Care Act, released a final revised template and detailed instructions for completing the SBC.

### Deadline for Using the New SBC Template

Plan sponsors that have an annual open enrollment period are required to use the new SBC template beginning on the first day of the first open enrollment period that begins on or after April 1, 2017 (with respect to coverage beginning on or after that date). For example, if a plan sponsor conducts open enrollment in May 2017 for a July 1 plan year, the plan sponsor would need to distribute the new SBC template with the open enrollment materials prepared for that May 2017 open enrollment period. Calendar-year plans with open enrollment would have to use the new SBC template for open enrollment for coverage beginning on January 1, 2018 (generally in the fall of 2017).

For plans that do not have an annual open enrollment period, the new SBC template must be used beginning on the first day of the first plan year that begins on or after April 1, 2017. Under existing regulations, plan sponsors must generally distribute SBCs 30 days before the start of a plan year. As a result, for a plan year beginning on April 1, the new SBC would have to be provided by March 1, 2017. Calendar year plans without open enrollment would have to distribute the SBC by December 1, 2017.

### Major Changes

The new template and instructions include both substantive and formatting changes. Major substantive changes include eliminating questions that were no longer needed or useful, changing the underlying cost data for the existing coverage examples and adding a third coverage example. The current template includes two coverage examples that illustrate cost sharing for routine pregnancy and childbirth, and managing Type 2 diabetes. The new coverage example involves a simple fracture treated in an emergency room. There are also numerous



#### Health Compliance News Highlights:

- The new SBC template includes significant changes compared to the template currently in use.
- Plan sponsors and/or their third-party administrators need to get familiar with the new template.
- Plan sponsors should have sufficient time to produce new SBCs by the required deadline.

\* The [template, instructions and other materials](#) are available on the Department of Labor's Affordable Care Act website.

formatting changes, which include space savers that will help plan sponsors comply with the page limit (four double-sided pages), the underlining of more standard plan terms that are defined in a separate glossary also issued by the Departments, eliminating the final page explaining the coverage examples, and adjustments to required language.

## Moving Forward

The changes to the SBC template are significant. As the cost data for the existing coverage examples has changed, new calculations will be required to complete the entire coverage examples section of the SBC. Plan sponsors should have sufficient time to produce and distribute SBCs using the new template by the required deadline and can continue to use the existing template in the meantime. Plan sponsors with third-party administrators that complete the SBC should ensure that those administrators are familiar with the new template.

Failure to produce the SBC in a timely manner can result in a fine of \$1,000 for each such failure.

## How Segal Can Help

Segal works with plan sponsors and their legal counsel on compliance issues. We can help plan sponsors ensure that SBC production is assigned to responsible parties who will make sure the timetables are met. In addition, Segal can prepare SBCs and coverage examples. Our communications professionals can help find a user-friendly way to get SBCs into the hands of plan participants in coordination with other plan material. Finally, for plans that have multiple service providers, Segal can help plan sponsors reconcile different versions of SBCs.

## Questions?

For more information about how these new rules may affect your plan, please contact your Segal consultant or the [Segal office nearest you](#).

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