

update

Compliance News for Staff Plans

March 10, 2017

Start Now to Be Prepared for Using the New Summary of Benefits and Coverage (SBC) Template Given the Additional Work Required and the Approaching Deadline

The Affordable Care Act requires plan sponsors to complete and distribute to participants a Summary of Benefits and Coverage (SBC) form annually. The requirement to complete and distribute the SBC remains in effect, despite the ongoing debate over health reform in Washington.¹

Last year, 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, changed the SBC template and released detailed instructions for completing the SBC.²

Consequently, plan sponsors will need to significantly revise their SBCs for each plan for the coming plan year. This *Update* discusses the changes, new rules about how SBCs interact with Section 1557 of the Affordable Care Act and next steps.

The Major Changes

Major substantive changes include:

- Elimination of, and revisions to, some questions on page 1,
- New answers in the “Why This Matters” section depending on plan design,
- A requirement that specific details be included in the “Common Medical Events” section,
- Revised underlying cost data for the existing coverage examples,
- Addition of a third coverage example, and
- Modification of a key assumption used when completing the coverage examples.

The old 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.



Health Compliance News Highlights:

- Plan sponsors that have an annual open enrollment period must use the new SBC template beginning on the first day of the first open enrollment period that begins on or after April 1, 2017.
- For plans without open enrollment, the new template must be used for the plan year beginning on or after April 1, 2017.
- The new SBC template includes significant changes from the old template.
- The SBC must include an addendum with a nondiscrimination notice and 15 language-assistance taglines.

¹ For information about this ongoing debate, see Segal Consulting’s March 9, 2017 *Update*, “[House Publishes Affordable Care Act Repeal and Replace Legislation](#).”

² The [template, instructions and other materials](#) are available on the Department of Labor’s Affordable Care Act website.

Section 1557 Requirements for SBCs

Section 1557 of the Affordable Care Act prohibits discrimination in health benefits on the basis of age, sex, national origin, color or disability. Plan sponsors subject to Section 1557 must include a lengthy nondiscrimination notice in any significant publication, along with taglines describing how to get assistance in 15 of the most prevalent languages in the area.

The Office for Civil Rights within the Department of Health and Human Services recently stated in an answer to a Frequently Asked Question that the SBC is a “significant” publication.³ Accordingly, covered entities under the new nondiscrimination rules issued under Section 1557 of the Affordable Care Act are required to include an addendum to the SBC with the lengthy nondiscrimination notice and 15 language-assistance taglines.⁴

The Approaching Deadline

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.

Failure to provide the SBC can result in a fine of \$1,105 (indexed annually) for each participant who did not receive the SBC.

Moving Forward

The changes to the SBC template are significant. New calculations will be required to complete the entire coverage examples section of the SBC because the cost data for the existing coverage examples has changed, so plan sponsors with third-party administrators that complete the SBC should ensure that those administrators are familiar with the new template.

How Segal Can Help

Segal works with trustees and their fund 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. For plans that have multiple service providers, Segal can help plan sponsors reconcile different versions of SBCs. Segal can also help covered entities prepare the required nondiscrimination notice and taglines and assist with other aspects of Section 1557 compliance.

“Covered entities... are required to include an addendum to the SBC with the lengthy nondiscrimination notice and 15 language-assistance taglines.”

“New calculations will be required to complete the entire coverage examples section of the SBC.”

³ See the answer to question 25 in [Section 1557: Frequently Asked Questions](#) on the Department of Health and Human Services website.

⁴ For background information on Section 1557, see Segal Consulting's [June 23, 2016 Update](#).

Questions?

For more information about the new SBC template and how to use it, please contact your Segal consultant or the [Segal office nearest you](#).

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