

News Release

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Wednesday, March 2, 2011

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Report: Affordable Care Act controls costs for early retiree coverage

State and local governments, private employers receive \$535 million in 2010 to help protect coverage for retired Americans

Health and Human Services Secretary Kathleen Sebelius today released a new report showing that the Early Retiree Reinsurance Program (ERRP) created by the Affordable Care Act is reducing health care costs for early retirees. As of December 31, 2010, more than 5,000 employers had been accepted into ERRP, more than \$535 million in health benefit costs have been reimbursed through the program, and those payments have helped benefit more than 4.5 million Americans.

This funding provides financial assistance for health plan sponsors – including state and local governments, for-profit companies, schools and other educational institutions, unions, religious organizations and other non-profits – to help early retirees and their families maintain access to quality, affordable health coverage. The largest share of 2010 reimbursements went to governments, including state and local governments, school districts and other local agencies.

A list of approved plan sponsors, updated on January 27, 2011, is available online at www.HealthCare.gov/law/provisions/retirement.

“ The Early Retiree Reinsurance Program is helping to control health care costs and protect coverage for early retirees and their families,” said HHS Secretary Kathleen Sebelius. “ This program is providing critical financial relief to help states, private employers and other organizations preserve access to affordable health coverage for millions of Americans.”

The percentage of large firms providing workers with retiree health coverage dropped from 66 percent in 1988 to 29 percent in 2009. Many Americans who retire before they are eligible for Medicare without employer-sponsored health coverage see their life savings disappear because of medical bills and exorbitant rates in the individual health insurance market. Health insurance premiums for older Americans are over four times more

expensive than those for young adults, and the deductible these enrollees pay is, on average, almost four times that in a typical employer-sponsored insurance plan. ERRP reimburses participating plan sponsors for a portion of health coverage costs for early retirees and their spouses, surviving spouses, and dependents. In 2010, ERRP-issued reimbursements helped pay the high costs of care for nearly 61,000 people. Sponsors receiving the largest ERRP reimbursements – totaling approximately 58 percent of the funding disbursed in 2010 – reported that program payments will benefit, either directly or indirectly, more than 4.5 million retirees, spouses, dependents, and active workers.

The program allows plan sponsors to either reduce costs of health care for plan participants or the costs to the plan sponsor to help them keep their coverage. For example, approximately 80 percent of plans that received reimbursements are using some or all of those dollars to lower the cost of health care for plan participants. The reimbursements helping to lower plan participant costs account for 97 percent of funds disbursed in 2010. The report also provides new information about how ERRP-participating plans are working to generate cost savings for people with chronic and high-cost conditions. For example, many sponsors, including a teachers' retirement plan and a major telecommunications corporation, are providing disease management programs for people with conditions such as coronary artery disease, chronic obstructive pulmonary disease, diabetes, asthma, and osteoarthritis. Other programs are helping patients and doctors work together to manage their prescription drug treatments.

Overall, the 2010 report demonstrates that ERRP is already having a meaningful impact on employers and unions as well as millions of early retirees, their families and other plan participants. The program has seen robust participation from all major sectors of the economy, with additional sponsors applying to participate every day.

To read the report, visit www.HealthCare.gov/center/reports/retirement03022011a.pdf.

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Last revised: March 02, 2011