



[Date]

[Group Admin Name]

Attn: Benefits Administrator

[Address]

[City, State Zip]

RE: Healthcare Reform Changes – Action Required

Several provisions of federal healthcare reform take effect as plans renew after September 23, 2010.

Member notice requirements – Regulations recently issued by the U.S. Department of Health and Human Services require plan sponsors (typically the employer, in the case of group plans) to notify covered employees of the following:

- Special enrollment opportunity related to the extension of dependent coverage to age 26
- Special enrollment opportunity related to the elimination of lifetime limits
- Pre-existing waiting period no longer applies to under age 19

This notification requirement applies regardless of whether or not the plan is considered “grandfathered.” We have developed the enclosed notice to help you inform members of these changes and opportunities.

Please note that this information is time-sensitive. For your convenience, you may either photocopy and distribute the enclosed notice, or go to PacificSource.com/reform-notices to download an electronic version of the notice that can be e-mailed to employees.

Nondiscrimination rules – Insured group health plans are required to satisfy nondiscrimination rules as of the first day of their plan year on or after September 23, 2010. The new rules prohibit discrimination with regard to eligibility and health benefits in a way that would favor highly compensated individuals. Providing different benefits to or excluding eligibility to some categories of employees on the basis of age, years of service, or compensation is not permissible under the new law. The Department of Labor has suggested violators could face fines of up to \$100 a day for each employee discriminated against.

We recommend that you either offer coverage to all employees that meet your plan’s hourly requirement and probationary waiting period **or** conduct nondiscrimination testing according to provisions of IRS Code 105(5) to confirm your plan complies with the provisions of Public Health Service Act section 2716 as amended by Patient Protection and Affordable Care Act section 1001(5). PacificSource is unable to do such nondiscrimination testing. You should contact your attorney or CPA for assistance if needed.

Record keeping requirements – If you wish to maintain grandfathered plan status, please note that grandfathered plans are required to notify all plan participants that they believe the plan to be grandfathered and maintain documentation of all plan materials in effect on March 23, 2010 and any changes made after that date.

Questions – If you have any questions regarding special enrollment or grandfathered plan requirements, you are welcome to contact your PacificSource Client Services Representative or (800) 624-6052. For questions regarding nondiscrimination rules, please contact your attorney or CPA. More information about healthcare reform is available on our Web site at PacificSource.com/healthcare-reform.aspx.

Enclosure