Health Care Reform: Summary of Benefit and Coverage

As directed by the Affordable Care Act, health insurance companies and group health plans will soon provide consumers with a concise document detailing, simple and consistent information about health plan insurance policy benefits and coverage. This standard document will be known as the Summary of Benefit and Coverage (SBC).

The goal of the SBC is to help consumers better understand the coverage they have. It will summarize the key features of the plan, such as the covered benefits, cost-sharing provisions, and coverage limitations and exceptions. The SBC will be available to consumers at important points in the enrollment process, such as when they apply for coverage, at each new plan year, and at any time upon request.

The SBC will include a new, standardized health plan comparison tool for consumers known as "coverage examples" – using a format modeled on the Nutrition Facts label required for packaged foods. The coverage examples will illustrate, for comparison purposes, what proportion of the cost of care a health insurance policy or plan would cover for a sample patient for two common medical situations—having a baby and managing type 2 diabetes. These examples are meant to help consumers understand and compare a sample patient's share of the costs of care under a particular plan and have a better idea of how valuable the health plan will be at times when they may need the coverage.

Uniform Glossary of Health-Coverage and Medical Terms

Consumers will also have a new resource to help them understand some of the most common, and sometimes confusing, language used in health insurance documents. Health insurance companies and group health plans will be required to make available a uniform glossary of health-coverage and medical terms commonly used in those documents, such as "deductible" and "co-pay".

Effective Date When must plans and issuers begin providing the SBC?

For group health plan coverage, the regulations provide that, the SBC must be provided beginning on the first day of the first open enrollment period that begins on or after Sept. 23, 2012. For disclosures with respect to participants and beneficiaries who enroll in coverage other than through an open enrollment period (including individuals who are newly eligible for coverage and special enrollees), the SBC must be provided beginning on the first day of the first plan year that begins on or after Sept. 23, 2012.

Under what circumstances can penalties be imposed for failure to provide the SBC or the uniform glossary?

The act states that an entity is subject to a fine if the entity "willfully fails to provide the information required." Specific under this requirement, failure to do so will result in up to a $1,000 fine per enrollee for each failure. While this fine is significant, it seems unlikely that an employer would willingly fail to offer this form to an employee.

What are the general SBC standards?

The standards are designed to guide the construction of the SBC in the following areas: appearance, language, form, and contents.

Appearance – an SBC must be presented in a "uniform format", may not exceed four pages in length, and may not include print smaller than 12-point font. The final rule allows four double-sided pages.

Language – an SBC must be presented in a culturally and linguistically appropriate manner and must utilize terminology understandable by the average plan enrollee. Under this standard, plans and issuers would be required to disclose the availability of language assistance in non-English languages, and support any language assistance requests in such languages, based on county level census data.

Form – an SBC can always be provided in paper form, and can be provided in electronic form if additional requirements are met. The final rule varies the requirements for electronic delivery depending on the market involved, and in the group market depending on whether the participant is currently enrolled in coverage or not.

Content – at a minimum, ACA requires an SBC to include: uniform definitions of standard insurance and medical terms; a description of the coverage, including cost sharing; exceptions, reductions, and limitations on coverage; the cost sharing provisions; renewability and continuation of coverage provisions; coverage examples; with respect to coverage beginning on or after January 1, 2014, a statement of whether the plan or coverage provides minimum essential coverage and a minimum value statement; a statement that the outline is a summary and that the coverage document itself should be consulted to determine the controlling contractual provisions; and a contact number for questions and obtaining a copy of the plan document or policy. The final rule also includes contact information for obtaining a list of network providers / information on prescription drug coverage as well as an Internet address and contact number for obtaining the uniform glossary, and a disclosure that paper copies are available.

What are the general triggers of the SBC?

- Upon application
- By first day of coverage (if there are changes)
- Upon renewal
- During special enrollments
- Upon request
- Upon material modification (during plan year, as defined under ERISA)

Are plans and carriers required to distribute the uniform glossary?

Yes, under the final rule a plan or issuer would be required to make the uniform glossary available upon request. The uniform glossary is a standard document that must be provided in the form that was issued by the Departments.