

Transitional Plans Extended Through 2018

By Emily Tonkovich

The U.S. Department of Health and Human Services issued new [guidance](#) last week allowing transitional plans (also known as “grandmothered” plans) to continue through December 31, 2018.

In general, transitional plans are individual or small group plans that were in place before 2014 and are not fully compliant with the ACA. These plans were previously set to expire December 31, 2017.

Transitional plans have been popular with some employers in the small group market because they use composite rates (i.e. single, two-person, family rates) rather than age-banded rates (rates based primarily on age that vary by employee and dependent). Some employers also prefer the plan design of their transitional plan to the plans that are fully compliant with the ACA.

States and insurance carriers are not required to continue to allow transitional plans. However, given the likelihood of an ACA repeal, we expect most will permit employers to renew their transitional plans.

What Does This Mean for Employers?

A small employer with a transitional plan will be able to continue to offer the plan through 2018 so long as the state and insurer continues to permit the employer to do so.

Our BRSi Advisors will communicate with clients offering transitional plans about any decisions made by insurance carriers and/or states.

Disclaimer: This Compliance Alert is for informational purposes only. It is not intended to be exhaustive and should not be construed as or substituted for legal or tax advice. Please consult with legal counsel or a tax advisor for further guidance.

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