Frequently Asked Questions and Answers for the Universal Summary of Benefits and Coverage (SBC)

1. What is a “Summary of Benefits and Coverage” (SBC)?

A Summary of Benefits and Coverage (SBC) is a four-page (double-sided) communication required by the Patient Protection and Affordable Care Act of 2010 (the “Act”). The purpose of the SBC is to provide individuals with standard information so that they can compare health plans and make a decision about which plan to choose.

SBC requirements apply to all insured, self-funded, and share-funded group health plans, regardless of grandfathered status. The requirements do not apply to retiree-only plans or standalone dental or vision plans.

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Q2. When must the SBC be distributed?

In general, SBCs must be provided during annual open enrollment periods, to newly hired employees, to individuals eligible to join the plan because of HIPAA Special Enrollment Rights, and to any individual upon request. Specific requirements and deadlines for providing an SBC are as follows:

- If individuals must make an annual election during an annual open enrollment period to maintain plan coverage or to switch to another coverage option, the SBC must be provided at the same time that open enrollment materials are provided.
- If individuals do not need to make an annual election to maintain plan coverage and plan coverage renewal is automatic, the SBC must be provided no later than 30 days before the first day of the new plan year.
- If an individual requests an SBC, the item must be provided (i.e., sent) within seven business days.
• New hires must be given the SBC with other written application materials, or if no such materials are given, the SBC must be given no later than the first date that the individual is eligible to enroll for coverage.

• Individuals who join the plan after experiencing HIPAA special enrollment rights must be given the SBC within 90 days.

The SBC may be provided as paper hard copies or delivered electronically following the safe-harbor rules set forth by the U.S. Department of Labor. The SBC may be provided to an employee to share with his or her dependents if your organization is not aware of a dependent residing at a separate address. An SBC must be given to dependents residing at a different address.

Q3  What are the distribution requirements if multiple benefit options are available?

The following table describes which SBCs must be distributed in certain circumstances:

<table>
<thead>
<tr>
<th>SBC Recipients</th>
<th>SBC Distribution Requirements</th>
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<tbody>
<tr>
<td>Newly Eligible Employees</td>
<td>• Must provide SBCs for all options no later than the first date employee is eligible to enroll for coverage</td>
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</table>
| Enrolled Employees                      | • At open enrollment, must provide the SBC for the option they are currently enrolled in, but may automatically provide SBCs for all available options  
• If an SBC is requested, must provide whichever one(s) are requested no later than 7 business days after request |
| Enrolled Retirees (assuming they are not in a retiree-only plan) | • At open enrollment, must provide the SBC for the option they are currently enrolled in, but may automatically provide SBCs for all available options  
• If an SBC is requested, must provide whichever one(s) are requested no later than 7 business days after request |
| COBRA Participants                     | • At open enrollment, must provide the SBC for the option they are currently enrolled in, but may automatically provide SBCs for all available options  
• If an SBC is requested, must provide whichever one(s) are requested no later than 7 business days after request |
| Special Enrollees                       | • Must provide the SBC for the option they are currently enrolled in within 90 days after enrolling  
• May automatically provide SBCs for all available options  
• If an SBC is requested, must provide whichever one(s) are requested no later than 7 business days after request |
Q4. What must the SBC look like?

The SBC will not look like the benefit handouts that your organization and employees are currently familiar with. Instead, the item must be created using exact wording, format, and layout prescribed by the Department of Labor’s Employee Benefits Security Administration. It can be no longer than four pages in length (two-sided) and must contain certain mandated content such as information about covered benefits, plan exclusions, and two coverage examples. The item can be distributed as either color copies or as black and white copies, whichever format your organization desires.

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Q5. Can I change the format, order, or wording of the SBC?

Generally no, only small changes to the format, order, or wording of the SBC are permissible (e.g., you can widen columns of information).

To view a sample template SBC, please visit http://www.dol.gov/ebsa/pdf/correctedsbctemplate.pdf

To read the specific instructions on how to complete the SBC, please visit http://www.dol.gov/ebsa/pdf/SBCInstructionsGroup.pdf.

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Q6. Does my organization have to translate the SBC into another language?

For most companies, the SBC does not need to be translated into another language in order to comply with the Act. Employers are required to provide SBCs in a culturally and linguistically appropriate manner; however, a full translation of the item is only required if the notice is sent to an address in a county in which 10% or more of the population is literate only in the same non-English language identified by the Act (Spanish, Chinese, Tagalog, and Navajo) and a translated notice is requested.

All ASR-created SBCs contain a statement in Spanish that indicates how to access the language services provided by the plan. This statement can be found in the “Language Access Services” section. ASR provides oral language assistance on behalf of your organization as part of our standard service package.

To view the list of counties that currently meet or exceed the 10% threshold, please visit http://www.cms.gov/CCIIO/Resources/Fact-Sheets-and-FAQs/Downloads/2013-clas-data.pdf. Currently no counties in the state of Michigan meet or exceed the 10% threshold.

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Q7. Does the SBC have to contain employee or employer contribution information (i.e. plan premiums)?

No, final SBC regulations removed the requirement that SBCs contain information about employee or employer contributions. As such, a plan is no longer required to distribute separate SBCs for individuals enrolling in self-only vs. family coverage.

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Q8. What penalties will apply if my organization does not distribute the SBC?

For the first year, any organization that is attempting good-faith compliance with the SBC requirements will be exempt from penalties associated with non-compliance; however, after this grace period expires penalties are substantial. Employers will be subject to a $1,000 per enrollee penalty for “willful” non-compliance. Non-governmental plans will also be subject to excise taxes under the Code of $100 per day with respect to each individual to whom the failure relates.

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Q9. Can I still distribute the same handout that was used in previous years?

Similar documents will not satisfy the requirements of the regulations, so your organization must provide the SBC as required by law. However, as many of our clients prefer the handout format currently in use, ASR will continue to offer our clients both an SBC that meets the government’s requirements and, upon request, a standard handout that may look similar to items that have been provided to plan participants in previous year. Distribution of the SBC is mandatory, but distribution of the handout is optional.

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Q10. Can I still make mid-year plan changes?

If a “Material Change” that is not reflected in the most recent SBC is made to the plan mid-year (i.e., not at annual renewal), a revised SBC must be provided at least 60 days before the effective date of the change. A “Material Change” is any change that would be considered by an average participant to be an important enhancement or reduction in benefits.

Changes made at annual renewal do not require 60-days advanced notice.

ASR respectfully requests three business days to create or modify an SBC. Please plan future mid-year plan changes accordingly.

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Q11. How are the mandated coverage examples prepared?

The coverage examples are based upon information provided by CMS and HHS and are intended to replicate two common scenarios that a person may encounter while covered under your organization’s plan. The plan’s cost-sharing provisions (i.e., deductibles, co-payments, and co-insurance) and any applicable limitations or exclusions must be input to illustrate the “Patient Pays” entries.

Employers must use the HHS-supplied sample care costs, even though these costs may not accurately reflect the plan’s costs for the same services rendered. The idea behind the coverage example is that if the amounts are uniform for every SBC that an individual reviews, individuals will be better able to understand how cost-sharing works for the options that they are considering.

The coverage examples contain certain costs that are excluded by most health plans, for example over-the-counter prenatal vitamins that a woman may choose to take before she becomes pregnant. The scenarios provided by CMS and HHS contain such items in order to help exemplify to individuals considering plan coverage that there are often health care costs that they will incurred that a plan will not cover.

For information about the maternity coverage example, including a detailed list of the specific costs and service types used to create the scenario, please visit http://www.cms.gov/CCIIO/Resources/Files/Downloads/accessible-maternity-scenario-2-7-12.pdf

For information about the diabetes coverage example, including a detailed list of the specific costs and service types used to create the scenario, please visit http://www.cms.gov/CCIIO/Resources/Files/Downloads/diabetes-scenario.pdf.

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