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HOW HEALTHCARE REFORM IMPACTS PERICO LIFE STOP LOSS POLICIES



PERICO LIFE
INSURANCE COMPANY



May 7, 2010 — With the passage of the Patient Protection and Affordable Care Act (PPACA) and the Health Care and Education Reconciliation Act of 2010 (HCERA), we have received numerous inquiries about how the self-funded plan changes outlined in these pieces of legislation will affect stop loss coverage offered by [Perico Life Insurance Company](#) (Perico Life). Our determinations, which are provided below, are based on the current legislation and the changes required in the immediate future. Should regulation be released by Federal agencies that we deem material, we reserve the right to reconsider how these changes affect our stop loss policy.

PLAN CHANGES (EXCLUDING LIFETIME & ANNUAL MAXIMUMS) >>

There are several reforms that must be implemented by grandfathered and non-grandfathered plans starting at the end of this year, such as:

- Prohibited use of pre-existing condition exclusions on dependent children under the age of 19
- Prohibition of cost sharing on preventive services and immunizations
- Requirements of coverage for emergency services without pre-authorization
- Prohibition on plans from requiring authorization or referral for patients seeking OB/GYN services
- Extension of coverage to dependents up to 26 years of age

After diligent review of the new legislation's requirements, we have determined that these changes do not have an impact on premium rates for medical stop loss coverage purchased through Perico Life. Plans that create the appropriate plan document amendment, or revise their plan document to implement these changes, will not see a change in the rates when the revised plan document or plan document amendment is provided to Perico Life.

For employers that adopt the under age 26 dependent coverage requirements, there will be no change to the premium rates when coverage is expanded for currently enrolled individuals. We reserve the right to modify the terms of coverage if individuals currently not enrolled under the plan are added to the plan.

EARLY ADOPTERS OF PLAN CHANGES >>

Perico Life would advise caution to all self-funded plans that would like to adopt any requirements of the PPACA and the HCERA prior to the required timeline. This legislation will require numerous regulations to be promulgated by federal agencies to fully implement this law and early adoption may require further plan changes if implemented prior to regulations. Nonetheless, Perico Life will accept plan document amendments that comply with the new legislation prior to the required implementation requirements.

LIFETIME AND ANNUAL MAXIMUMS >>

The new legislation also requires plans to eliminate their lifetime maximums and prohibits plans from having annual maximums less than what is determined to be "reasonable." The definition of "reasonable" is still pending interpretation and we are hopeful the Department of Health and Human Services (HHS) will issue this regulation soon. Perico Life Insurance Company currently offers annual maximums in all of its policies and until the HHS determines the reasonable maximum, the annual maximums we currently offer will remain unchanged.

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