

Summary of Benefits and Coverage and Uniform Glossary NPRM  
Supporting Statement for Paperwork Reduction Act Submission

Supporting Regulations Contained in 45 Code of Federal Regulations (CFR):

**A. Background**

The Patient Protection and Affordable Care Act, Pub. L. 111-148, was enacted on March 23, 2010; the Health Care and Education Reconciliation Act of 2010, Pub. L. 111-152, was enacted on March 30, 2010 (collectively known as the “Affordable Care Act”). The Affordable Care Act reorganizes, amends, and adds to the provisions of part A of title XXVII of the Public Health Service Act (PHS Act) relating to group health plans and health insurance issuers in the group and individual markets.<sup>1</sup> The Affordable Care Act, in pertinent part, amended part A of title XXVII of the PHS Act (42 U.S.C. 300gg-21 *et seq.*) by adding section 2715 “Development and Utilization of Uniform Explanation of Coverage Documents and Standardized Definitions.”

The Notice of Proposed Rulemaking (NPRM), that displayed at the Federal Register on August 17, 2011, would implement the information disclosure provisions under PHS Act section 2715. It would require collections of information by health insurance issuers in the group and individual markets and group health plans (or in the case of self-insured group health plans, third-party administrators).

**B. Justification**

**1. Need and Legal Basis**

Section 2715 of the PHS Act directs the Department of Health and Human Services (HHS), the Department of Labor (DOL), and the Department of the Treasury (collectively, the Departments), in consultation with the National Association of Insurance Commissioners (NAIC) and a working group comprised of stakeholders, to “develop standards for use by a group health plan and a health insurance issuer in compiling and providing to applicants, enrollees, and policyholders and certificate holders a summary of benefits and coverage explanation that accurately describes the benefits and coverage under the applicable plan or coverage.” Plans and issuers are required to begin providing the required disclosure (herein referred to as a “summary of benefits and coverage” or “SBC”) no later than March 23, 2012.

To implement these disclosure requirements, collection of information requests relate to the provision of the following:

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<sup>1</sup>The Affordable Care Act adds section 715(a)(1) to the Employee Retirement Income Security Act (ERISA) and section 9815(a)(1) to the Internal Revenue Code (the Code) to incorporate the provisions of part A of title XXVII of the PHS Act into ERISA and the Code, and make them applicable to group health plans, and health insurance issuers providing health insurance coverage in connection with group health plans.

- Summary of benefits and coverage.
- Coverage examples (as components of each SBC).
- A uniform glossary of health coverage and medical terms.
- Notice of modifications.

Group health plans and health insurance issuers will be required to use the SBC template and instructions for completing the template, as authorized by the Departments, to satisfy the section 2715 disclosure requirements.

For each benefits package offered, requested, or provided, as applicable, a plan or issuer will populate the SBC template with the applicable plan or coverage information, including the following: (1) a description of the coverage, including cost sharing, for each category of benefits identified in guidance by the Secretary; (2) exceptions, reductions, and limitations of the coverage; (3) the cost-sharing provisions of the coverage, including deductible, coinsurance, and copayment obligations; (4) the renewability and continuation of coverage provisions; (5) coverage examples that illustrate common benefits scenarios (including pregnancy and serious or chronic medical conditions) and related cost sharing; (6) identifying information for the plan or coverage and contact information for questions and for obtaining a copy of the plan document or the insurance policy, certificate, or contract of insurance (such as a telephone number for customer service and an Internet address for obtaining a copy of the plan document or the insurance policy, certificate, or contract of insurance); (7) for plans and issuers that maintain one or more networks of providers, an Internet address (or similar contact information) for obtaining a list of network providers; (8) for plans and issuers that provide prescription drug coverage through a formulary, an Internet address (or similar contact information) for obtaining information on prescription drug coverage; (9) an Internet address (or similar contact information) where a consumer may review and obtain the uniform glossary; and (10) premium (or, in the case of a self-insured group health plan, cost of coverage).

In order to produce coverage examples (CEs) for various benefits scenarios, plans and issuers will simulate claims processing for clinical care provided under each scenario using the services, dates of service, billing codes, and allowed amounts provided by HHS. Benefits scenarios will be based on recognized treatment guidelines available through the National Guideline Clearinghouse. Allowed amounts for each service will be based on national averages. Plans and issuers will follow the instructions for estimating and displaying costs in a standardized format authorized by HHS. The purpose of the coverage examples is to help consumers synthesize the impact of multiple coverage provisions in order to compare the level of protection offered by a plan or coverage for common benefit scenarios. Initially, three coverage examples will be included in the SBC.

Because the statute additionally requires the Secretary to “provide for the development of standards for the definitions of terms used in health insurance coverage,” including

specified insurance-related and medical terms, the Departments have interpreted this provision as requiring plans and issuers to make available a uniform glossary of health coverage and medical terms that is two (2) double-sided pages in length. Plans and issuers must include an Internet address (to either the plan's or issuer's website, or the website of HHS or DOL) in the SBC for consumers to access the glossary and provide a paper copy of the glossary within 7 days upon request. Plans and issuers may not modify the glossary provided in guidance by the Departments.

Finally, "if a group health plan or health insurance issuer makes any material modification in any of the terms of the plan or coverage involved (as defined for purposes of section 102 of the ERISA) that is not reflected in the most recently provided summary of benefits and coverage, the plan or issuer must provide notice of such modification to enrollees not later than 60 days prior to the date on which such modification will become effective." Thus, the Departments will require plans and issuers to provide 60-days advance notice of any material modification in any of the terms of the plan or coverage that (1) affect the information required to be included the SBC; (2) occur during the plan or policy year, other than in connection with renewal or reissuance of the coverage; and (3) is not otherwise reflected in the most recently provided SBC.

In developing the requirements for these collections of information, the Departments have incorporated in their entirety the documents recommended by the NAIC, including the SBC template (with instructions, samples, and a guide for Coverage examples calculations to be used in completing the SBC template) and the uniform glossary. These collection instruments were developed and agreed to by the entire NAIC working group and recommended to the Departments by the full NAIC membership .

## **2. Information Users**

Beginning in 2012, this information collection will help to ensure that approximately 180 million consumers shopping for, or enrolled in, private, individually purchased or employer-sponsored coverage receive the consumer protections of the Affordable Care Act. Employers, employees, and individuals will use this valuable information to compare plan or coverage options prior to selecting coverage and to understand the terms of, and extent of medical benefits offered by, their plan or coverage (or exceptions to such coverage or benefits) once they have coverage.

## **3. Use of Information Technology**

The SBC template will be made available to plans and issuers in MS Word, a widely available word processing application. Plans and issuers may choose to populate the template manually or to develop systems to capture and report the relevant data in the required standardized format.

With respect to the coverage examples, HHS will make available in an Excel spreadsheet the clinical benefits scenarios, including specific services, dates of service, billing codes, and allowed charges associated with each scenario. Plans and issuers will simulate processing of claims under each benefits scenario to generate an illustration of costs a consumer could expect to share with the plan or coverage. Plans and issues should eventually be able to generate these outputs using automated systems for each benefits package they offer. At the outset, however, calculations for the Coverage examples may need to be performed manually, such as using Excel.

Once completed, the SBC may be provided either in paper form or, if certain safeguards are met, in electronic form. Electronic disclosure in the individual and group markets, where appropriate, will help reduce the cost and burden of distributing this information.

#### **4. Duplication of Efforts**

Under the health care reform insurance Web portal requirements at 45 CFR 159.200, HHS collects summary information about health insurance products that are available in the individual and small group markets. The Web portal collection is similar to a subset of this information collection (*i.e.*, the proposed requirement to provide an SBC to individuals who request information about health insurance coverage options prior to submitting an application). To reduce duplication, this NPRM would deem individual market issuers that comply with the Web portal collection compliant with this such collection. The Departments nonetheless expect some duplication, as issuers will be required to provide such information in paper form upon request.

In addition, under the disclosure requirements at 29 CFR 2520, ERISA-covered group health plans are already required to disclose to participants and beneficiaries similar plan information in a summary plan description (SPD). This NPRM would require plans to summarize such SPD information so consumers may better understand the terms of the plan and more easily compare plan options. While this collection will thus duplicate some information collected under ERISA, the burden of compiling and providing it in the required standardized format is reduced, because it is readily available to plan sponsors and administrators and disclosed as part of their current operations.

#### **5. Small Businesses**

Small businesses are not significantly affected by this collection. The information used to populate the form is readily available and disclosed by plans and issuers as part of their current operations. No capital costs are required for this effort. The electronic distribution of information should also ease burden among some plans and issuers. Limiting distribution of the SBC to one for covered individuals known to reside at the same last address, as well as other provisions designed to reduce unnecessary duplication, will also reduce the frequency of reporting. Finally, the vast majority of health insurance issuers and third-party administrators, the entities primarily impacted

by this collection, are not small businesses.<sup>2</sup> Small businesses are not significantly affected by this collection.

## **6. Less Frequent Collection**

This collection is required to fulfill the statutory requirements under PHS Act section 2715. This collection will ensure that, at multiple points in the enrollment process, consumers have accurate information with which to understand and compare plan and coverage options. If this collection is not conducted, or is conducted less frequently, consumers will not receive the protections to which they are entitled under the Affordable Care Act. If, however, information collected in the first instance does not change in subsequent collections, duplicate collections are typically not required during the plan or policy year. Furthermore, multiple collections are not required in the case of family coverage, if covered individuals are known to reside at the same address. These provisions will limit the collection burden on the industry while providing consistent and clear information to consumers.

## **7. Special Circumstances**

When an individual requests information about or requests an application for coverage, or upon application, health insurance issuers are required to provide the SBC to individuals in the individual market and group health plans (or the plan sponsor, as applicable) in the fully-insured group market. Plans and issuer must also provide the SBC to special enrollees, upon request for enrollment pursuant to a special enrollment right. In such instances, disclosure must occur as soon as practicable, but not later than 7 days after receipt of the request. Similarly, upon request at anytime, plans and issuers are required to provide the SBC as soon as practicable, but not later than 7 days after

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<sup>2</sup> As discussed in the Web Portal interim final rule (75 FR 24481), HHS examined the health insurance industry in depth in the Regulatory Impact Analysis prepared for the proposed rule on establishment of the Medicare Advantage program (69 FR 46866, August 3, 2004). In that analysis, HHS determined that there were few if any insurance firms underwriting comprehensive health insurance policies (in contrast, for example, to travel insurance policies or dental discount policies) that fell below the size thresholds for “small” business established by the Small Business Association (SBA). Currently, the SBA size threshold is \$7 million in annual receipts for both health insurers (North American Industry Classification System, or NAICS, Code 524114) and TPAs (NAICS Code 524292). Additionally, as discussed in the Medical Loss Ratio interim final rule (75 FR 74918), HHS used a data set created from 2009 National Association of Insurance Commissioners (NAIC) Health and Life Blank annual financial statement data to develop an updated estimate of the number of small entities that offer comprehensive major medical coverage in the individual and group markets. For purposes of that analysis, HHS used total Accident and Health (A&H) earned premiums as a proxy for annual receipts. HHS estimated that there were 28 small entities with less than \$7 million in A&H earned premiums offering individual or group comprehensive major medical coverage; however, this estimate may overstate the actual number of small health insurance issuers offering such coverage, since it does not include receipts from these companies’ other lines of business. These 28 small entities represent about 6.4 percent of the approximately 440 health insurers that are accounted for in this Economic Impact Analysis of the NPRM. Based on this calculation, the Departments assume that there are an equal percentage of TPAs that are small entities. That is, 48 small entities represent about 6.4 percent of the approximately 750 TPAs that are accounted for in this RIA.

the receipt of the request. Depending on the number of such requests, plans and issuers may have to provide several copies of the SBC.

## **8. Federal Register/Outside Consultation**

The Departments recognize the need for public comment on this NPRM. The Departments are seeking a full 3-year PRA approval and a full public comment period.

As required by PHS Act section 2715, the Departments consulted on this proposed collection with the NAIC, which convened a multi-stakeholder working group composed of representatives of consumer advocacy organizations, health insurance issuers, health care professionals, patient advocates including those representing individuals with limited English proficiency, and other qualified individuals. The NAIC process, conducted over many months, was open to the public and permitted oral and written comments from interested parties. Both industry and consumer groups sponsored consumer focus-group and cognitive interview testing to determine the usability of the forms. Additionally, the NAIC invited expert comment on the readability of the forms. These forms were discussed and agreed to by the working group and recommended to the Departments by the NAIC.

In addition to consultation with the NAIC, the Departments consulted with industry experts, including health insurance issuers and groups representing employers with self-funded health plans, to gain insight into the hour and burden associated with this collection, the tasks and level of effort required, and the availability of data. The proposed collection reflects this extensive consultation.

## **9. Payments/Gifts to Respondents**

There will be no payments or gifts to respondents.

## **10. Confidentiality**

This collection requires the disclosure of information regarding, among other things, premium rates, cost-sharing, covered benefits, and exceptions, reductions and limitations on coverage by plans and issuers directly to consumers. The purpose of this collection is to summarize information about the terms of the applicable plan or coverage that is described in fuller detail in the policy, certificate, or contract of insurance or the plan document. Therefore, the Departments believe this collection does not require the disclosure of trade secrets or other confidential information.

## **11. Sensitive Questions**

There are no sensitive questions included in this collection effort.

## **12. Burden Estimate (Hours & Wages)**

Each group health plan and health insurance issuer offering group or individual health insurance coverage must provide a summary of benefits and coverage (SBC) to entities and individuals at specified points in the enrollment process. This disclosure must include, among other things, coverage examples that illustrate common benefits scenarios and related cost sharing. Additionally, plans and issuers must make the uniform glossary available in electronic form, with paper upon request, and provide 60-days advance notice of any material modifications in the plan or coverage.

Although coverage examples are part of the SBC disclosure, the Departments calculate separate burden estimates for purposes of this section, assuming the information collection request for the SBC (not including coverage examples) totals six (6) sides of a page in length and assuming the information collection request for coverage examples totals two (2) sides of a page in length.

#### **A. Department of Labor and Department of the Treasury**

The Departments estimate 858 respondents each year from 2011-2013. This estimate reflects approximately 220 issuers offering comprehensive major medical coverage in the small and large group markets and approximately 638 third-party administrators (TPAs).<sup>3</sup>

To account for variation in firm size, the Departments estimate a weighted burden on the basis of issuer's 2009 total earned premiums for comprehensive major medical coverage.<sup>4</sup> The Departments define small issuers as those with total earned premiums less than \$50 million; medium issuers as those with total earned premiums between \$50 million and \$999 million; and large issuers as those with total earned premiums of \$1 billion or more. Accordingly, the Departments estimate approximately 70 small, 115 medium, and 35 large issuers. Similarly, the Departments estimate approximately 204 small, 332 medium, and 102 large TPAs.

#### **2011 Burden Estimate**

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<sup>3</sup> With respect to employer-sponsored coverage, the Departments assume fully-insured plans will rely on health insurance issuers and self-insured plans will rely on TPAs to generate, review, update, and distribute SBCs (including coverage examples). While plans may prepare the SBC disclosures internally, the Departments make this simplifying assumption because most plans appear to rely on issuers and TPAs for the purpose of administrative duties, such as enrollment and claims processing. Thus, the Departments use health insurance issuers and TPAs as the unit of analysis for the purposes of estimating administrative costs. The Departments estimate there are a total of 440 issuers and 750 TPAs. Because the Departments of Labor and the Treasury share the hour and cost burden for fully-insured plans with the Department of Health and Human Services, these hour and cost burden estimates for group health plans are calculated using approximately half the number of issuers (220) and 85% of the number of TPAs (638).

<sup>4</sup> The premium revenue data come from the 2009 NAIC financial statements, also known as "Blanks," where insurers report information about their various lines of business.

**The estimated hour burden and equivalent cost for the collections of information are as follows:**

While the disclosures in this NPRM are not required until March 2012, the Departments estimate a one-time administrative cost of about \$36,000,000 across the industry and a total of about 680,000 burden hours to prepare for the provisions of these proposed regulations. This calculation is made assuming issuers and TPAs will need to implement two principal tasks: (1) develop teams to analyze current workflow processes in relation to the new requirements and (2) make appropriate changes to IT systems and processes.

With respect to task (1), the Departments estimate about 97,000 burden hours and an equivalent cost of about \$4,800,000. The Departments calculate these estimates as follows:

**Task 1: Analyze current workflow and new rules**

	Hourly Wage Rate	Small Issuer / TPA		Medium Issuer/TPA		Large Issuer/TPA	
		Hours	Equivalent Cost	Hours	Equivalent Cost	Hours	Equivalent Cost
IT Professionals	\$53.26	36	\$1,900	54	\$2,900	72	\$3,800
Benefits/Sales Professionals	\$41.94	40	\$1,700	60	\$2,500	80	\$3,400
Attorneys	\$85.44	4	\$340	6	\$510	8	\$680
Total per issuer/ TPA		80	\$3,900	120	\$5,900	160	\$7,900
Total for all issuers/TPAs		22,000	\$1,100,000	53,000	\$2,600,000	22,000	\$1,100,000

With respect to task (2), the Departments estimate about 580,000 burden hours and an equivalent cost of about \$31,000,000. The Departments calculate these estimates as follows:

**Task 2: IT Changes**

	Hourly Wage Rate	Small Issuer/TPA		Medium Issuer/TPA		Large Issuer/TPA	
		Hours	Equivalent Cost	Hours	Equivalent Cost	Hours	Equivalent Cost
IT Professionals	\$53.26	480	\$26,000	720	\$38,000	960	\$51,000
Total per issuer/TPA		480	\$26,000	720	\$38,000	960	\$51,000
Total for all issuers/TPAs		130,000	\$7,100,000	320,000	\$17,000,000	130,000	\$7,000,000

The Departments assume the total one-time administrative burden will be divided equally between 2011 and 2012. Thus, in 2011, the Departments estimate a one-time

administrative cost of about \$18,000,000 across the industry and about 340,000 burden hours. The Departments assume issuers and TPAs will incur no other costs in 2011 related to these collection of information requirements.

**2012 Burden Estimate**

**The estimated hour burden and equivalent cost for the collections of information are as follows:**

- The Departments estimate there will be about 77,000,000 SBC responses in 2012.
- The Departments assume that of the total number of SBC responses in 2012, 38% would be provided electronically in the small and large group markets. Accordingly, the Departments estimate that about 29,000,000 SBCs would be electronically distributed, and about 48,000,000 SBCs would be distributed in paper form. The Departments assume there are no costs associated with electronic disclosure; there are costs only with regard to paper disclosure.

**Summary of benefits and coverage** – The SBC requires issuers/TPAs to summarize the terms of the coverage involved, such as covered benefits, cost sharing, and exceptions, reductions, and limitations on coverage. The Departments estimate an hour burden of about 820,000 hours and an equivalent cost of about \$24,000,000. The Departments calculate these estimates as follows:

**Equivalent Costs for Producing SBCs (not including coverage examples)**

	Hourly Wage Rate	Small Issuer/TPA		Medium Issuer/TPA		Large Issuer/TPA	
		Hours	Equivalent Cost	Hours	Equivalent Cost	Hours	Equivalent Cost
IT Professionals	\$53.26	1.5	\$80	1.5	\$80	1.5	\$80
Benefits/Sales Professionals	\$41.94	1.5	\$63	1.5	\$63	1.5	\$63
Financial Managers	\$75.32	0.5	\$38	0.5	\$38	0.5	\$38
Attorneys	\$85.44	0.5	\$43	0.5	\$43	0.5	\$43
Total per issuer/TPA		4	\$220	4	\$220	4	\$220
Total for all issuers/TPAs		1,100	\$61,000	1,800	\$100,000	550	\$31,000

**Equivalent Costs for Distributing SBCs (including coverage examples)**

	Hourly Wage Rate	Hours per SBC	Total Number of SBCs	Total Hours	Total Equivalent Cost
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Clerical Staff	\$29.15	0.017	48,000,000	820,000	\$24,000,000
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**Coverage examples** – A set of three coverage examples is included in each SBC and will require issuers and TPAs to simulate claims processing for services under each scenario, applying the plan’s or coverage’s cost-sharing rules and benefit limitations and exclusions as appropriate. The Departments estimate an hour burden of about 100,000 hours and an equivalent cost of about \$5,800,000. The Departments calculate these estimates as follows:

**Equivalent Costs for Producing Coverage examples**

	Hourly Wage Rate	Small Issuer/TPA		Medium Issuer/TPA		Large Issuer/TPA	
		Hours	Equivalent Cost	Hours	Equivalent Cost	Hours	Equivalent Cost
IT Professionals	\$53.26	45	\$2,400	45	\$2,400	45	\$2,400
Benefits/Sales Professionals	\$41.94	45	\$1,900	45	\$1,900	45	\$1,900
Financial Managers	\$75.32	15	\$1,100	15	\$1,100	15	\$1,100
Attorneys	\$85.44	15	\$1,300	15	\$1,300	15	\$1,300
Total per issuer/TPA		120	\$6,700	120	\$6,700	120	\$6,700
Total for all issuers/TPAs		33,000	\$1,900,000	53,000	\$3,000,000	16,000	\$900,000

**Uniform glossary** – The Departments assume that in 2012, issuers and TPAs will begin responding to requests of covered individuals for paper copies of the uniform glossary, and that 2.5% of covered individuals who receive the SBC in paper form will request glossaries (that is, about 1,200,000 glossary requests). The Departments estimate the burden and equivalent cost of providing the glossary to be 2.5% of the burden and cost of distributing the SBC in paper form. Accordingly, in 2012, the Departments estimate an hour burden of about 21,000 hours and an equivalent cost of about \$600,000.

**One-time administrative costs** – As mentioned above, the Departments estimate a one-time administrative cost of about \$36,000,000 across the industry and a total of about 680,000 burden hours, and assume this burden will be equally divided between 2011 and 2012. Thus, in 2012, the Departments estimate a one-time administrative cost of about \$18,000,000 across the industry and about 340,000 burden hours.

The total 2012 burden estimate is about \$48,000,000. The total number of burden hours is about 1,300,000 hours.

**2013 Burden Estimate**

**The estimated hour burden and equivalent cost for the collections of information are as follows:**

**Summary of benefits and coverage** – The number of SBC responses in 2013 is assumed to remain constant at 2012 levels (that is, 77,000,000 responses) . Thus, in 2013, the Departments again estimate an hour burden of about 820,000 hours and an equivalent cost of about \$24,000,000.

**Coverage examples** – The Departments again estimate an hour burden of about 100,000 hours and an equivalent cost of about \$5,800,000 to produce coverage examples in 2013.

**Notice of modifications** – The Departments assume that in 2013, issuers and TPAs will begin sending notices of modifications to covered individuals, and that 2% of covered individuals would receive such notice (that is, about 1,500,000 notices). The Departments estimate the burden and cost of providing the notices to be 2% of the combined burden and cost of the SBCs (including the coverage examples). Accordingly, in 2013, the Departments estimate an hour burden of about 18,000 hours and an equivalent cost of about \$600,000.

**Maintenance administrative costs** – In 2013, the Departments assume that issuers and TPAs will need to make updates to address changes in requirements, and, thus, incur 15% of the one-time administrative burden. Accordingly, the estimated hour burden is about 100,000 hours, and the estimated total cost is about \$5,400,000. The Departments calculate these estimates as follows:

	Hourly Wage Rate	Small Issuer/TPA		Medium Issuer/TPA		Large Issuer/TPA	
		Hours	Equivalent Cost	Hours	Equivalent Cost	Hours	Equivalent Cost
IT Professionals	\$53.26	46.2	\$2,500	69.3	\$3,700	92.4	\$4,900
Benefits / Sales Professionals	\$41.94	33.6	\$1,800	50.4	\$2,700	67.2	\$3,600
Attorneys	\$85.44	4.2	\$220	6.3	\$340	8.4	\$450
Total per issuer/TPA		84	\$4,500	126	\$6,700	168	\$8,900
Total for all issuers/TPAs		23,000	\$1,200,000	56,000	\$3,000,000	23,000	\$1,200,000

The total 2013 cost estimate is about \$37,000,000. The total number of burden hours is about 1,100,000 hours.

## **B. Department of Health and Human Services**

The Department estimates 333 respondents each year from 2011-2013. This estimate reflects the approximately 220 issuers offering comprehensive major medical coverage in the individual market and to fully-insured non-Federal governmental plans, and 113 TPAs acting as service providers for self-insured non-Federal governmental plans.<sup>5</sup>

To account for variation in firm size, the Department estimates a weighted burden on the basis of issuer's 2009 total earned premiums for comprehensive major medical coverage.<sup>6</sup> The Department defines small issuers as those with total earned premiums less than \$50 million; medium issuers as those with total earned premiums between \$50 million and \$999 million; and large issuers as those with total earned premiums of \$1 billion or more. Accordingly, the Department estimates approximately 70 small, 115 medium, and 35 large issuers. Similarly, the Department estimates approximately 36 small, 59 medium, and 18 large TPAs.

### **2011 Burden Estimate**

**The estimated hour burden and equivalent cost for the collections of information are as follows:**

While the disclosures in this NPRM are not required until March 2012, the Department estimates a one-time administrative cost of about \$14,000,000 across the industry and a total of about 270,000 burden hours to prepare for the provisions of the provisions of these proposed regulations. This calculation is made assuming issuers and TPAs will need to implement two principal tasks: (1) develop teams to analyze current workflow processes in relation to the new requirements and (2) make appropriate changes to IT systems and processes.

With respect to task (1), the Department estimates about 38,000 burden hours and an equivalent cost of about \$1,900,000. The Department calculates these estimates as follows:

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<sup>5</sup> With respect to the individual market, issuers are responsible for generating, reviewing, updating, and distributing SBCs. With respect to non-Federal governmental plans, the Department assumes fully-insured plans will rely on health insurance issuers and self-insured plans will rely on TPAs to perform these functions. While plans may prepare the SBC disclosures internally, the Department makes this simplifying assumption because most plans appear to rely on issuers and TPAs for the purpose of administrative duties, such as enrollment and claims processing. Thus, the Department uses health insurance issuers and TPAs as the unit of analysis for the purposes of estimating administrative costs. The Department's estimate there are a total of 440 issuers and 750 TPAs. Because the Department of Health and Human Services shares the hour and cost burden for fully-insured plans with the Departments of Labor and the Treasury, these hour and cost burden estimates for individual issuers and TPAs serving self-insured non-Federal governmental plans are calculated using approximately half the number of issuers (220) and 15% of the number of TPAs (113).

<sup>6</sup> The premium revenue data come from the 2009 NAIC financial statements, also known as "Blanks," where insurers report information about their various lines of business

**Task 1: Analyze current workflow and new rules**

	Hourly Wage Rate	Small Issuer/TPA		Medium Issuer/TPA		Large Issuer/TPA	
		Hours	Equivalent Cost	Hours	Equivalent Cost	Hours	Equivalent Cost
IT Professionals	\$53.26	36	\$1,900	54	\$2,900	72	\$3,800
Benefits/Sales Professionals	\$41.94	40	\$1,700	60	\$2,500	80	\$3,400
Attorneys	\$85.44	4	\$340	6	\$510	8	\$680
Total per issuer/TPA		80	\$3,900	120	\$5,900	160	\$7,900
Total for all issuers/TPAs		8,500	\$420,000	21,000	\$1,000,000	8,500	\$450,000

With respect to task (2), the Department estimates about 230,000 burden hours and an equivalent cost of about \$12,000,000. The Department calculates these estimates as follows:

**Task 2: IT Changes**

	Hourly Wage Rate	Small Issuer/TPA		Medium Issuer/TPA		Large Issuer/TPA	
		Hours	Equivalent Cost	Hours	Equivalent Cost	Hours	Equivalent Cost
IT Professionals	\$53.26	480	\$26,000	720	\$38,000	960	\$51,000
Total per issuer/TPA		480	\$26,000	720	\$38,000	960	\$51,000
Total for all issuers/TPAs		51,000	\$2,700,000	125,000	\$6,700,000	51,000	\$ 2,700,000

The Department assumes the total one-time administrative burden will be divided equally between 2011 and 2012. Thus, in 2011, the Department estimates a one-time administrative cost of about \$7,000,000 across the industry and about 135,000 burden hours. The Department assumes issuers and TPAs will incur no other costs in 2011 related to these collection of information requirements.

**2012 Burden Estimate**

**The estimated hour burden and equivalent cost for the collections of information are as follows:**

- The Department estimates there will be about 13,000,000 SBC responses in 2012.
- The Department assumes that of the total number of SBC responses in 2012, 38% would be provided electronically in the group market, and 70% would be

provided electronically in the individual market. Accordingly, the Department estimates that about 5,900,000 SBCs would be electronically distributed, and about 7,400,000 SBCs would be distributed in paper form. The Department assumes there are no costs associated with electronic disclosures; there are costs only with regard to paper disclosures.

**Summary of benefits and coverage** – The SBC requires issuers and TPAs to summarize the terms of the coverage involved, including covered benefits, cost sharing, and exceptions, reductions, and limitations on coverage. The Department estimates an hour burden of about 170,000 hours and an equivalent cost of about \$5,000,000. The Department calculates these estimates as follows:

**Equivalent Costs for Producing SBCs (not including coverage examples)**

	Hourly Wage Rate	Small Issuer/TPA		Medium Issuer/TPA		Large Issuer/TPA	
		Hours	Equivalent Cost	Hours	Equivalent Cost	Hours	Equivalent Cost
IT Professionals	\$53.26	1.5	\$80	1.5	\$80	1.5	\$80
Benefits/Sales Professionals	\$41.94	1.5	\$63	1.5	\$63	1.5	\$63
Financial Managers	\$75.32	0.5	\$38	0.5	\$38	0.5	\$38
Attorneys	\$85.44	0.5	\$43	0.5	\$43	0.5	\$43
Total per issuer/TPA		4	\$220	4	\$220	4	\$220
Total for all issuers/TPAs		420	\$24,000	700	\$39,000	200	\$12,000

**Equivalent Costs for Distributing SBCs (including coverage examples)**

	Hourly Wage Rate	Hours per SBC	Total Number of SBCs	Total Hours	Total Equivalent Cost
Clerical Staff, Individual Market	\$29.15	0.033	2,700,000	89,000	\$2,600,000
Clerical, Group Market	\$29.15	0.017	4,700,000	80,000	\$2,300,000
<b>Total</b>			7,400,000	170,000	\$4,900,000

**Coverage examples** – A set of three coverage examples is included in each SBC and will require issuers and TPAs to simulate claims processing for services under each scenario, applying the plan’s or coverage’s cost-sharing rules and benefit limitations and exclusions as appropriate. The Department estimates an hour burden of about 40,000 hours and an equivalent cost of about \$2,300,000. The Department calculates these estimates as follows:

Equivalent Costs for Producing Coverage examples

	Hourly Wage Rate	Small Issuer/TPA		Medium Issuer/TPA		Large Issuer/TPA	
		Hours	Equivalent Cost	Hours	Equivalent Cost	Hours	Equivalent Cost
IT Professionals	\$53.26	45	\$2,400	45	\$2,400	45	\$2,400
Benefits/Sales Professionals	\$41.94	45	\$1,900	45	\$1,900	45	\$1,900
Financial Managers	\$75.32	15	\$1,100	15	\$1,100	15	\$1,100
Attorneys	\$85.44	15	\$1,300	15	\$1,300	15	\$1,300
Total per issuer/ TPA		120	\$6,700	120	\$6,700	120	\$6,700
Total for all issuers/TPAs		13,000	\$710,000	21,000	\$1,200,000	6,400	\$350,000

**Uniform glossary** – The Department assumes that in 2012, issuers and TPAs will begin responding to requests of covered individuals for paper copies of the uniform glossary, and that 2.5% of covered individuals who receive the SBC in paper form will request glossaries (that is, about 190,000 glossary requests). The Departments estimate that the burden and cost of providing the glossary to be 2.5% of the burden and cost of distributing the SBC in paper form. Accordingly, in 2012, the Department estimates an hour burden of about 4,300 hours and an equivalent cost of about \$120,000.

**One-time administrative costs:** As mentioned above, the Department estimates a one-time administrative cost of about \$14,000,000 across the industry and a total of about 270,000 burden hours, and assumes this burden will be equally divided between 2011 and 2012. Thus, in 2012, the Department estimates a one-time administrative cost of about \$7,000,000 across the industry and about 135,000 burden hours.

The total 2012 burden estimate is about \$14,000,000. The total number of burden hours is 350,000 hours.

**2013 Burden Estimate**

**The estimated hour burden and equivalent cost for the collections of information are as follows:**

**Summary of benefits and coverage** – The number of SBC responses in 2013 is assumed to remain constant at 2012 levels (that is, 13,000,000 responses). Thus, in 2013, the Department again estimates an hour burden of about 170,000 hours and an equivalent cost of about \$5,000,000.

**Coverage examples** – The Department again estimates an hour burden of about 40,320 hours an equivalent cost of about \$2,300,000 to produce coverage examples in 2013.

**Notice of modifications** – The Department assumes that in 2013, issuers will begin sending notices of modifications to covered individuals, and that 2% of covered individuals will receive such notice (that is, 260,000 responses). The Department estimates the burden and cost of providing the notices to be 2% of the combined burden and cost of the SBCs (including the coverage examples). Accordingly, in 2013, the Department estimates an hour burden of about 4,200 hours and an equivalent cost of about \$150,000 associated with approximately 260,000 notices of modifications.

**Uniform Glossary** – The Department assumes that in 2013, issuers and TPAs will continue to respond to glossary requests, and that 5% of covered individuals who receive the SBC in paper form will request glossaries (that is, about 370,000 glossary requests). The Department estimates the burden and cost of providing the notices to be 5% of the burden and cost of distributing the SBC in paper form. Accordingly, in 2013, the Department estimates an hour burden of 8,500 hours and an equivalent cost of about \$240,000.

**Maintenance administrative costs** – In 2013, the Department assumes that issuers and TPAs will need to make updates to address changes in requirements, and, thus, incur 15% of the one-time administrative burden. Accordingly, the estimated hour burden is about 40,000 hours, and the estimated total cost is about \$2,000,000. The Department calculates these estimates as follows:

	Hourly Wage Rate	Small Issuer/TPA		Medium Issuer/TPA		Large Issuer/TPA	
		Hours	Equivalent Cost	Hours	Equivalent Cost	Hours	Equivalent Cost
IT Professionals	\$53.26	46.2	\$2,500	69.3	\$3,700	92.4	\$4,900
Benefits / Sales Professionals	\$41.94	33.6	\$1,800	50.4	\$2,700	67.2	\$3,600
Attorneys	\$85.44	4.2	\$220	6.3	\$340	8.4	\$450
Total per issuer/TPA		84	\$4,500	126	\$6,700	168	\$8,900
Total for all issuers/TPAs		8,900	\$470,000	22,000	\$1,100,000	8,900	\$470,000

The total 2013 cost estimate is about \$9,800,000. The total number of burden hours is about 260,000 hours.

### **13. Capital Costs**

#### **A. Department of Labor and Department of the Treasury**

##### **2012 Cost Burden Estimate**

- The Departments estimate that there will be about 77,000,000 SBC responses (including coverage examples) in 2012.
- The Departments assume that of the total number of SBC responses, 38% would be provided electronically in the small and large group markets. Accordingly, the Departments estimate that about 29,000,000 SBCs would be electronically distributed, and about 48,000,000 SBCs would be distributed in paper form. The Departments assume there are no costs associated with electronic disclosures; there are costs only with regard to paper disclosures.
- The Departments estimate grayscale printing costs at \$0.03 per single side of a page.
- The Departments assume that in 2012, issuers and TPAs will begin responding to requests of covered individuals for paper copies of the uniform glossary, and that 2.5% of covered individuals who receive the SBC in paper form will request glossaries (that is, about 1,200,000 glossary requests) . The Departments estimate the cost of providing the glossary in paper form to be 2.5% of the cost of distributing the paper copies of the SBC, plus an additional cost burden for \$0.49 for each glossary (including \$0.44 for first-class postage and \$0.05 for supply costs).

The estimated cost burdens for the collections of information are as follows:

**Cost Burden for Printing SBCs**

	Cost per SBC	Total SBCs	Total Cost Burden
Printing Costs	\$0.12	48,000,000	\$5,800,000

**Cost Burden for Printing Coverage examples**

	Printing Cost Per Coverage Example	Total Number of Coverage Examples Printed	Total Cost Burden
Printing Costs	\$0.06	48,000,000	\$2,900,000

**Cost Burden for Printing and Mailing Uniform Glossaries**

	Printing Cost Per Glossary	Mailing Costs Per Glossary	Total Glossaries Requested/Printed	Total Cost Burden
Printing Costs	\$0.12	\$0.49	1,200,000	\$730,000

**2013 Cost Burden Estimate**

- The Departments make the same assumptions regarding the number of SBC responses (including coverage examples), electronic distribution, and printing costs in 2013 as in 2012.
- The Departments assume that in 2013, issuers and TPAs would begin sending notices of modifications to covered individuals and that 2% of covered individuals would receive such notice (that is, about 1,500,000 notices). The

Departments estimate the cost of providing the notices to be 2% of the cost of the providing SBCs (including coverage examples). Notices are assumed to be equal in length to the SBC (that is, six (6) sides of a page).

- The Departments assume 5% of covered individuals who receive the SBC in paper form will request paper copies of the uniform glossary (that is, about 2,400,000 glossary requests). The Departments estimate the cost of providing the notices to be 5% of the cost of distributing paper copies of the SBC and make the same assumptions about postage and supply costs in 2013 as in 2012.

The estimated cost burdens for the collections of information are as follows:

**Cost Burden for Printing SBCs**

	Cost per SBC	Total SBCs	Total Cost Burden
Printing Costs	\$0.12	48,000,000	\$5,800,000

**Cost Burden for Printing Coverage examples**

	Printing Cost Per Coverage Example	Total Number of Coverage Examples Printed	Total Cost Burden
Printing Costs	\$0.06	48,000,000	\$2,900,000

**Cost Burden for Printing and Mailing Notices of Modifications**

	Printing Cost Per Notice	Mailing Costs Per Notice	Total Notices Printed	Total Cost Burden
Printing Costs	\$0.18	\$0.49	960,000	\$640,000

**Cost Burden for Printing and Mailing Uniform Glossaries**

	Printing Cost Per Glossary	Mailing Costs Per Glossary	Total Glossaries Requested/Printed	Total Cost Burden
Printing Costs	\$0.12	\$0.49	2,400,000	\$1,500,000

**B. Department of Health and Human Services**

**2012 Cost Burden Estimate**

- The Department estimates there will be about 13,000,000 SBC responses (including coverage examples) in 2012.
- The Department assumes that of the total number of SBC responses, 38% would be provided electronically in the group market, and 70% would be provided electronically in the individual market. Accordingly, the Department estimates that about 5,900,000 SBCs would be electronically distributed, and about 7,400,000 SBCs would be distributed in paper form. The Department assumes

there are no costs associated with electronic disclosures; there are costs only with regard to paper disclosures.

- The Department estimates grayscale printing costs at \$0.03 per single side of a page.
- The Department assumes that in 2012, issuers and TPAs will begin responding to requests of covered individuals for paper copies of the uniform glossary, and that 2.5% of covered individuals who receive the SBC in paper form will request glossaries (that is, about 190,000 glossary requests). The Department estimates the cost of providing the glossary in paper form to be 2.5% of the cost of distributing paper copies of the SBC, plus an additional cost of \$0.49 for each glossary (including \$0.44 for first-class postage and \$0.05 for supply costs).

The estimated cost burdens for the collections of information are as follows:

**Cost Burden for Printing SBCs**

	Cost per SBC	Total SBCs	Total Cost Burden
Printing Costs	\$0.12	7,400,000	\$890,000

**Cost Burden for Printing Coverage examples**

	Printing Cost Per Coverage Example	Total Number of Coverage Examples Printed	Total Cost Burden
Printing Costs	\$0.06	7,400,000	\$440,000

**Cost Burden for Printing and Mailing Uniform Glossaries**

	Printing Cost Per Glossary	Mailing Costs Per Glossary	Total Glossaries Requested/Printed	Total Cost Burden
Printing Costs	\$0.12	\$0.49	190,000	\$120,000

**2013 Cost Burden Estimate**

- The Department makes the same assumptions regarding the number of SBC responses (including coverage examples), electronic distribution, and printing costs in 2013 as in 2012.
- The Department assumes that in 2013, issuers and TPAs would begin sending notices of modifications to covered individuals and that 2% of covered individuals would receive such notice (that is, about 260,000 notices). The Department estimates the cost of providing the notices to be 2% of the cost of the providing SBCs (including coverage examples). Notices are assumed to be equal in length to the SBC (that is, six (6) sides of a page).
- The Department assumes 5% of covered individuals who receive the SBC in paper form will request paper copies of the uniform glossary (that is, about 370,000 glossary requests). The Department estimates the cost of providing the

glossary to be 5% of the cost of distributing paper copies of the SBC and makes the same assumptions about postage and supply costs in 2013 as in 2012.

The estimated cost burdens for the collections of information are as follows:

**Cost Burden for Printing SBCs**

	Cost per SBC	Total SBCs	Total Cost Burden
Printing Costs	\$0.12	7,400,000	\$890,000

**Cost Burden for Printing Coverage examples**

	Printing Cost Per Coverage Example	Total Number of Coverage Examples Printed	Total Cost Burden
Printing Costs	\$0.06	7,400,000	\$440,000

**Cost Burden for Printing and Mailing Notices of Modifications**

	Printing Cost Per Notice	Mailing Costs Per Notice	Total Notices Printed	Total Cost Burden
Printing Costs	\$0.18	\$0.49	150,000	\$100,000

**Cost Burden for Printing and Mailing Uniform Glossaries**

	Printing Cost Per Glossary	Mailing Costs Per Glossary	Total Glossaries Requested/Printed	Total Cost Burden
Printing Costs	\$0.12	\$0.49	370,000	\$230,000

**14. Cost to Federal Government**

These information collection tools were developed by the Federal government for use by the industry. The Departments will periodically update these forms, as necessary. But because there are no program costs associated with this collection, the annualized cost to the Federal government is minimal.

**15. Changes to Burden**

This is a new data collection activity.

**16. Publication/Tabulation Dates**

This collection of information will generally begin on March 23, 2012 and will be conducted continuously with respect to consumers shopping for, enrolling in, or renewing or reenrolling in a plan or coverage.

**17. Expiration Date**

The Departments request an exemption from displaying the expiration date, as these forms will be used on a continuous basis. To include an expiration date would result in having to discard a potentially large number of forms.

**18. Certification Statement**

There are no exceptions to the certification statement.