

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).³

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.⁴ 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

³ 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).

⁴ 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.