

Supporting Statement – Part A
Limited Wraparound Coverage Reporting
(CMS- 10571/OMB control number 0938-NEW)

A. Background

The Patient Protection and Affordable Care Act, Pub. L. 111-148, was enacted on March 23, 2010; and 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 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.

The Department of Treasury, the Department of Labor and the Department of Health and Human Services (the Departments) published final regulations on March 18, 2015 (80 FR13995), amending the regulations regarding excepted benefits under the Employee Retirement Income Security Act of 1974, the Internal Revenue Code, and the Public Health Service Act to specify requirements for limited wraparound coverage to qualify as an excepted benefit. Excepted benefits are generally exempt from the requirements that were added to those laws by the Health Insurance Portability and Accountability Act and the Affordable Care Act. The final regulations provide plan sponsors with two options to offer limited wraparound coverage to certain individuals. Under the first option, a plan sponsor could offer limited benefits provided through a group health plan that wraps around eligible individual health insurance to employees who are not full-time employees (and their dependents), or who are retirees (and their dependents). For this purpose, full-time employees are employees who are reasonably expected to work at least an average of 30 hours per week. Under the second option, the limited wraparound coverage that satisfies the requirements outlined in the regulations must be approved by the Office of Personnel Management (OPM) and be offered in conjunction with Multi-State Plan coverage authorized under section 1334 of the Affordable Care Act. Under the first option, the limited benefits would also be permitted to wrap around the Basic Health Program (BHP) authorized under section 1331 of the Affordable Care Act.

B. Justification

1. **Need and Legal Basis**

The final regulations include requirements that limited wraparound coverage must satisfy in order to qualify as excepted benefits. One of them is a reporting requirement, for group health plans and group health insurance issuers, as well as group health plan sponsors.

A self-insured group health plan, or a health insurance issuer offering or proposing to offer Multi-State Plan wraparound coverage, is required to report to OPM information reasonably required to determine whether the plan or issuer qualifies to offer such coverage or complies with the applicable requirements. In addition, the plan sponsor of any group health plan offering any type of limited wraparound coverage is required to report to the Department of Health and Human Services (HHS), in a form and manner specified in guidance by the Secretary of HHS.

Limited wraparound coverage is permitted under a pilot program for a limited time. The final rules specify that wraparound coverage can be offered as excepted benefits if the coverage is first offered no earlier than January 1, 2016 and no later than December 31, 2018. The end date is the later of: (1) the date that is three years after the date wraparound coverage is first offered; or (2) the date on which the last collective bargaining agreement relating to the plan terminates after the date wraparound coverage is first offered (determined without regard to any extension agreed to after the date the wraparound coverage is first offered).

2. Information Users

Group health plans offering limited wraparound programs will complete the reporting form and submit it to HHS. This is a one-time submission. The plan sponsor must file the form within the later of 60 days after final publication of the form or 60 days after the first day of the first plan year that limited wraparound coverage is first offered.

The information provided in the reports will be reviewed by HHS to ensure that the limited wraparound coverage being offered satisfy the requirements to qualify as excepted benefits.

3. Use of Information Technology

Respondents are expected to submit the reports to CMS electronically.

4. Duplication of Efforts

This is the first time such reports have been required, so there is no duplication of efforts.

5. Small Businesses

Small businesses that offer limited wraparound coverage will be subject to the reporting requirements.

6. Less Frequent Collection

Reports will be submitted on a one-time basis. Without the information submitted in the reports, HHS will not be able to monitor usage and impact during the pilot program and ensure that limited wraparound coverage is allowing plan sponsors to provide comparable benefits to what is being offered in their group health plans.

7. Special Circumstances

There are no special circumstances.

8. Federal Register/Outside Consultation

A notice was published in the Federal Register on December 15, 2017 (82 FR 59622), providing the public with a 60-day period to submit written comments on these information collection requirements (ICRs). No additional outside consultation was sought.

We received 13 comments that addressed the ICRs, the impact of the limited wraparound pilot program, and its extension, as summarized in Appendix I. Three commenters discussed the reporting form. The model form was revised to address the specific comments on the form and the instructions. The revisions are listed in Appendix II. The Departments are reviewing the comments on the impact of the limited wraparound pilot program and its extension.

9. Payments/Gifts to Respondents

No payments or gifts are associated with these ICRs.

10. Confidentiality

CMS will protect privacy of the information provided to the extent provided by law.

11. Sensitive Questions

These ICRs involve no sensitive questions.

12. Burden Estimates (Hours & Wages)

As stated in the final regulations, the Departments do not expect many plans to offer limited wraparound coverage. In the absence of any data, we assume that at least 8 plan sponsors will provide limited wraparound coverage under the pilot program and will, therefore, be subject to this reporting requirement.

To derive wage estimates, we generally used data from the Bureau of Labor Statistics to derive average labor costs (including a 100 percent increase for fringe benefits and overhead) for estimating the burden associated with the ICRs.¹ Table 1 below presents the mean hourly wage, the cost of fringe benefits and overhead, and the adjusted hourly wage. As indicated, employee hourly wage estimates have been adjusted by a factor of 100 percent. This is necessarily a rough adjustment, both because fringe benefits and overhead costs vary significantly across employers, and because methods of estimating these costs vary widely across studies. Nonetheless, there is no practical alternative, and we believe that doubling the hourly wage to estimate total cost is a reasonably accurate estimation method.

Table 1: Adjusted Hourly Wages Used in Burden Estimates

Occupation Title	Occupational Code	Mean Hourly Wage (\$/hr.)	Fringe Benefits and Overhead (\$/hr.)	Adjusted Hourly Wage (\$/hr.)
Compensation and Benefits Manager	11-3111	\$61.01	\$61.01	\$122.02
Top Executive	11-1000	\$61.03	\$61.03	\$122.06
Lawyer	23-1011	\$64.17	\$64.17	\$128.34
Human Resource Specialist	13-1071	\$31.20	\$31.20	\$62.40

It is assumed that a human resource specialist for each plan sponsor will gather and enter the necessary data, send the report electronically to HHS and retain a copy for recordkeeping, a manager and legal counsel will review it, and a senior executive will review and sign the certification. It is estimated that an organization will need approximately 3 hours to complete and submit the report and maintain records: 2 hours by a human resource specialist at a cost of \$62.40 per hour, 30 minutes for a benefits manager at a cost of \$122.02 per hour, 15 minutes for legal counsel at a cost of \$128.34 per hour, and 15 minutes for a top executive at a cost of \$122.06 per hour. The report may be submitted electronically to HHS at minimal cost. Therefore, the total one-time cost burden for preparing and submitting the report is estimated to be approximately \$218 for each respondent. The total burden for 8 respondents is estimated to be 24 hours with an equivalent cost burden of approximately \$1,743.

¹ See May 2016 Bureau of Labor Statistics, Occupational Employment Statistics, National Occupational Employment and Wage Estimates at https://www.bls.gov/oes/current/oes_nat.htm. For State Government Employees see NAICS 999200 - State Government, excluding schools and hospitals (OES Designation) https://www.bls.gov/oes/current/naics4_999200.htm.

Table 2. Estimated Burden for Report

Notice	Number of respondents	Number of responses per respondent	Estimated Burden Hours per Respondent	Total Estimated Burden Hours	Estimated Burden Cost Per Respondent	Total Estimated Cost
Report	8	1	3	24	\$217.91	\$1,743.24

13. Capital Costs

Respondents are not expected to incur capital costs to fulfill these requirements.

14. Cost to Federal Government

CMS staff is expected to review the reports. We anticipate that a reviewer will need 1 hour to review each submission.

Table 3. Estimated Cost to Federal Government

Type of Federal Employee Support	Total Burden Hours per Reviewer	Total Reviewers	Hourly Cost (including fringe benefits and overhead)	Total Federal Government Costs
Report Review	8	1	\$90.84	\$727

Salaries are based on a 13 Grade/Step 1 in the Washington DC area and hourly cost includes benefits and overhead estimated to be 100 percent of salary.

15. Changes to Burden

This is a new information collection, so there are no changes to burden.

16. Publication/Tabulation Dates

There are no plans to publish the outcome of the data collection.

17. Expiration Date

The expiration date will be displayed on the first page of each instrument (top, right-hand corner).