

Electronic Alert

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What the Consolidated Appropriations Act of 2021 Means for Your Retirement & Health Plans

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On December 28, 2020, we looked at what the Consolidated Appropriations Act of 2021 (“CAA of 2021”) means for your flexible spending and dependent care accounts. Today, we tackle the sprawling bill’s effect on your health and retirement plans.

Retirement Plans

Relief from Partial Plan Termination

We covered partial plan terminations as a result of participant layoffs in our E-Alert, “Have Layoffs Resulted in Partial Termination of Company Retirement Plans? Why It Matters & What Can Be Done.”

The CAA of 2021 provides some relief for employers who had to terminate a large amount of their workforce but who are able to rehire employees by March 31, 2021. The CAA of 2021 provides that employers will not be considered to have had a partial plan termination in any plan year that includes the period from March 13, 2020 to March 31, 2021, as long as the number of active participants in the plan on March 31, 2021 is at least 80% of the number of active participants who were in the plan on March 13, 2020. This is good news for employers whose plans would have otherwise incurred a partial termination, because partial plan termination results in 100% vesting for affected participants.

Coronavirus-Related Distributions from Money Purchase Pension Plans

We talked about Coronavirus-Related Distributions in our E-Alert, “Who Cares About the CARES Act? Hint: The Answer Might Be You.”

The CAA of 2021 amended the CARES Act to include Money Purchase Pension Plans in the group of retirement plans from which an individual can take a Coronavirus-Related Distribution. This amendment applies as if it was included in the CARES Act.

Employers who wish to offer this distribution option may operate their plans in compliance with this change now. No plan amendment is required until the end of the plan sponsor’s first plan year beginning on or after January 1, 2022 (2024 for government plans).

Disaster Relief

Similar to the relief included in the Further Consolidated Appropriations Act 2020, the CAA of 2021 includes provisions that provide flexibility in distributions and loans from certain qualified retirement plans that are requested as a result of a disaster declared as such under the Robert T. Stafford Disaster Relief and Emergency Assistance Act.

Employers who wish to include this relief in the plans they offer have until the end of the plan sponsor's first plan year beginning on or after January 1, 2022 to make plan amendments (2024 for government plans).

Health Plans

Protections Against Surprise Medical Bills

The No Surprises Act (an act within the CAA of 2021) protects healthcare consumers from the surprise medical bills that can result when they receive care from an out-of-network provider in an emergency. Prior to the No Surprises Act, patients often received bills that were higher than they had expected because the law permitted patients to be billed for the balance between the amount that their health plan would cover for the service as an out-of-network service and the total cost of the service.

The No Surprises Act applies to both self-funded and insured health plans. It covers air ambulance and emergency services and out-of-network services provided at in-network facilities. The No Surprises Act prohibits providers from billing patients for the balance of the cost of these services and generally limits the amount a patient can be billed to the in-network cost. The No Surprises Act also creates a process through which plans and providers will negotiate the cost of the services covered by the No Surprises Act.

The No Surprises Act is effective in 2022. Employers will want to work with their insurers, third-party administrators, and/or attorneys to ensure that the health plans they sponsor are amended to include the updates required by the law.

Employers who have questions about any of the changes mentioned in this E-Alert can contact Gabrielle Hansen at 503-276-2112 or at ghansen@barran.com.