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ERRP Budget Update

HHS recently released its fiscal year 2012 budget, which includes projected outlays for the early retiree reimbursement program. As of January 2011, approximately 5,000 plan sponsors have been accepted into the program, and approximately $1 Billion has been distributed to plan sponsors. By the end of fiscal year 2011 (which ends September 30, 2011), HHS projects that it will pay out another $2.6 Billion. This would bring the total distributed to $3.6 Billion by September 30, 2011, leaving only $1.4 Billion to be distributed in fiscal year 2012 (which begins on October 1, 2011). When the Affordable Care Act established the ERRP fund, the $5 Billion was projected to last until 2014 when the exchanges were operational. However, based on current projections it appears that the fund is expected to run out of funding sometime during the first half of the 2012 calendar year, which is much earlier than previous projections. Given the current budgetary constraints in Washington, it is unlikely that the fund would be extended. However, things can change swiftly in Washington, and extension is certainly a possibility given the fund's earlier than projected depletion.