

# Legislative Brief

## HCR - REINSURANCE CONTRIBUTIONS

Nov. 14, 2014

### REINSURANCE CONTRIBUTION FORM SUBMISSION DEADLINE EXTENDED UNTIL NOV. 17, 2014

#### SUMMARY:

- Generally employers who sponsor self-funded health plans that offer major medical coverage providing minimum value must report the number of covered lives under those plans and schedule the plan's reinsurance contribution payment via a form on [www.pay.gov](http://www.pay.gov) by Nov. 15 each year.
- An FAQ extends this regulatory deadline for 2014 to Monday, Nov. 17, 2014.
- As part of completing the reinsurance contribution fee [form](#), the number of covered lives must be submitted and payment must be scheduled. Payment of the reinsurance contribution may be made in two parts—the first payment must occur by Jan. 15, 2015 and be at least \$52.50 per covered life, the second payment must cover the remainder amount of \$10.50 per covered life. Alternatively, an applicable payer has the option of paying the entire amount by Jan 15, 2015 (i.e., \$63.00 per covered life. CMS has provided a [form manual](#) with detailed instructions regarding the submission process.

The Affordable Care Act (ACA) created a transitional reinsurance program to help stabilize premiums for coverage in the individual market from 2014 through 2016. Insurers of fully insured group health plans and plan sponsors of self-funded group health plans (collectively “contributing entities”) are required to make reinsurance contributions annually, from 2014 through 2016, for plans that offer major medical coverage providing minimum value. There is an exception for self-insured, self administered plans, **group health plans that do not use a TPA for the core administrative functions** of claims processing or adjudication (including management of appeals) or plan enrollment. However, very few plans will meet this exception. For a discussion of minimum value and plans subject to the reinsurance contribution please see our last [article](#). These fees will be used to help stabilize premiums for coverage in the individual market.

For the 2014 benefit year, the regulatory deadline for submitting the reinsurance fee contribution form is **Nov. 15, 2014**. However, because Nov. 15, 2014, is a Saturday, HHS stated in [FAQ 5415](#) that contributing entities may submit the annual enrollment count by **Nov. 17, 2014**. HHS still encourages contributing entities to file before Nov. 15, 2014 in order to avoid any technical difficulties. The first reinsurance payment is due Jan. 15, 2015.

The following recaps the reinsurance contribution guidance provided to you previously. For more detailed information, please refer to our prior newsletters regarding reinsurance contributions located on our [website](#).

#### Reinsurance Contribution Amounts

The reinsurance program's fees are based on a national contribution rate, which HHS announces annually. For 2014, the annual contribution rate is **\$63 per enrollee per year**, or \$5.25 per month. For 2015, the annual contribution rate will be **\$44 per enrollee per year**, or about \$3.67 per month.

A plan sponsor of a self-funded group health plan may use one of the following methods to determine the number of covered lives under the health plan:

- The Actual Count Method;
- The Snapshot Count Method; and
- The Form 5500 method.

### Special Rules

- If a plan is partially insured and partially self-insured, the portion that provides major medical coverage is responsible for the reinsurance contribution.
- If a plan is fully insured and has multiple insurers, the insurer that provides the greatest portion of inpatient hospitalization coverage is responsible for the reinsurance contributions.

### Deadlines

These fees may be paid in two installments—one at the beginning of the calendar year following the applicable benefit year, and then one at the end of that calendar year. Key deadlines for the 2014 benefit year are:

- **Nov. 17, 2014**—The regulatory deadline to submit the contribution form to HHS is Saturday, Nov. 15, 2014. According to [FAQ 5415](#), for the 2014 benefit year, a contributing entity may submit its annual enrollment count no later than **Monday, Nov. 17, 2014**, which is the next applicable day after the Nov. 15 regulatory deadline. However, HHS is encouraging contributing entities to file before Nov. 15, 2014, in order to avoid any technical difficulties.
- **Jan. 15, 2015**—The first payment of \$52.50 per covered life is payable by the regulatory deadline of Jan. 15, 2015. This payment will be allocated towards reinsurance payments and administrative expenses.
- **Nov. 15, 2015**—The second payment of \$10.50 per covered life is payable by the regulatory deadline of Nov. 15, 2015. This payment will be allocated towards payments to the U.S. Treasury.

### The Collection Process

A contributing entity can complete all of the required steps (that is, registration, submission of annual enrollment count and remittance of contributions) on [www.pay.gov](http://www.pay.gov). Using a [contribution form](#), entities will provide basic company and contact information and the annual enrollment count for the applicable benefit year. The contribution form became available via [www.pay.gov](http://www.pay.gov) on **Oct. 24, 2014**.

The form will auto-calculate the contribution amounts. To complete the submission, entities will also submit payment information and schedule a payment date for the contributions. Supporting documentation must also be submitted through [www.pay.gov](http://www.pay.gov) with the contribution form.

### More Information

HHS offers training for the pay.gov collection process. To receive notices from HHS regarding upcoming training and review training resources, register on [www.regtap.info](http://www.regtap.info). HHS also provided an [Annual Enrollment and Contributions Submission Form Manual](#), which provides step-by-step instructions for completing and submitting the contribution form and supporting documentation, details on key elements and business concepts, and resources to further assist the contributing entity. A [Supporting Documentation Job Aid Manual](#) is also available to help contributing entities create the supporting documentation.

The health care reform law—the Affordable Care Act (ACA)—has many complex requirements for employers and health plans. Please contact Kapnick Insurance Group with any questions about how you can prepare for any of the health care reform requirements. This Kapnick Insurance Group Update is not intended to be exhaustive nor should any discussion or opinions be construed as legal or tax advice. The information contained in this communication is intended to provide general information regarding health care reform and related topics, and is based on general information available at the time it was prepared. Readers should contact their tax and/or legal counsel for advice that is appropriate to their specific circumstances. This information cannot be used by any taxpayer to avoid tax penalties.

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