

Legislative Brief

HCR - REINSURANCE CONTRIBUTIONS

Oct. 23, 2014

REINSURANCE CONTRIBUTION FORM AVAILABLE OCT. 24, 2014

SUMMARY:

- 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 first reinsurance contribution payment via a form on www.pay.gov by Nov. 15, 2014.
- CMS issued an [announcement](#) that the [form](#) will be available on October 24, 2014.
- CMS has provided a [form manual](#) with detailed instructions as to the submission process.

Background

The Affordable Care Act (ACA) creates a transitional reinsurance program to help stabilize premiums for coverage in the individual market from 2014 through 2016. Contributing entities (i.e., insurers of fully insured plans or sponsors of self-funded plans) are required to make reinsurance contributions annually, from 2014 through 2016, for plans that offer major medical coverage providing minimum value. Payments are calculated by multiplying the average number of covered lives during the benefit year by the contribution rate for the applicable year (\$63 per covered life for 2014).

Plans Subject to the Reinsurance Contribution

The reinsurance contribution is required for major medical plans that provide "minimum value." Minimum value is generally defined as a plan that has an actuarial value of at least 60%. Major medical coverage includes health coverage for a broad range of medical services and treatments provided in various settings (e.g., inpatient, outpatient, or emergency room).

Since reinsurance contributions apply to major medical coverage providing minimum value, it is not applicable to the following:

- Health savings accounts (HSAs);
- Health flexible spending accounts (FSAs);
- Health reimbursement accounts (HRAs) that are integrated with a group health plan;
- Dental and vision plans that meet the requirements of being an excepted benefit;
- Self-funded or fully insured plans that solely consist of benefits for prescription drugs;
- EAPs, disease management or wellness programs not providing significant medical benefits;
- Stop-loss or indemnity reinsurance policies; and
- For individuals with employer-sponsored group coverage and other coverage (i.e. Medicare, individual policy or coverage under a spouse's plan), and the other coverage is primary.

Reinsurance contributions are also not required for expatriate health plans, TRICARE or other military health benefits, or tribal plans. With respect to fully-insured coverage, issuers (health insurance carriers) are responsible for making reinsurance contributions. With respect to a self-funded group health plan, the plan sponsor (generally the employer) is responsible for making reinsurance contributions. If the plan funding changes from fully-insured to self-funded during the calendar year, the insurer/ carrier and plan sponsor are each responsible for paying a pro rata portion of the fee.

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.

- Plans that are self-insured **and** self administered are exempt from the reinsurance contribution. Note: In order to qualify for this exemption your plan cannot use a third party administrator for core administrative functions. HHS expects few plans to qualify for this exemption.

Submission Process for Reinsurance Contributions

Reporting Covered Lives

Contributing entities must report their annual enrollment count (i.e., number of covered lives under the plan) by November 15th. To determine the number of covered lives under the plan, there are three methods to choose from – actual count method, snapshot method or the Form 5500 method. The actual count method and snapshot method generally consider data from January – September (regardless of the employer’s plan year), while the Form 5500 method considers data from the most recently filed Form 5500.

Contributing entities will access the “ACA Transitional Reinsurance Program Annual Enrollment and Contributions Submission Form” on www.pay.gov to enter the plan’s annual enrollment count. As mentioned previously, CMS has announced that this form will be available as of October 24th of this year. The form will auto-calculate the annual contribution amount to be remitted based on the annual enrollment (covered lives) count, and the contributing entity will then schedule payment for the calculated reinsurance contributions on the payment page.

Paying the Fee

Reinsurance contributions for 2014 are \$63 per covered life and are due in two installments. The first installment of \$52.50 per covered life is due by January 15, 2015. The balance of \$10.50 per covered life must be paid no later than November 15, 2015. Employers may choose to pay the entire contribution in a single payment by the first deadline.

Employers with self-insured plans will need to either negotiate with their administrator to make payments on behalf of the plan or prepare to calculate and report applicable covered life information for the plan by November 15, 2014. Reinsurance fees may be paid from plan assets because the payment is required by the plan under the Affordable Care Act.

For more details on reinsurance contributions and the counting methods available, please click [here](#) to access our previously issued guidance.

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.

MAR