

**Transitional Reinsurance Fee  
Don't forget about it**

**What is the transitional reinsurance fee?**

The Affordable Care Act established a three-year (2014, 2015 and 2016) transitional reinsurance program to stabilize premiums in the individual market inside and outside of the Marketplaces.

**Who must pay the transitional reinsurance fee?**

A contributing entity must make reinsurance contributions on behalf of its enrollees in plans that provide "major medical coverage". Health insurance issuers and certain self-insured group health plans that offer major medical coverage as part of a commercial book of business are contributing entities.

Major medical coverage is defined as health coverage for a broad range of services and treatments provided in various settings that provides minimum value

A contributing entity is responsible for the reinsurance contributions, however it may elect to use a third party administrator or administrative services-only contractor for submission of enrollment data and the transfer of the reinsurance contributions.

For 2015 and 2016, proposed regulations would change the definition of contributing entity to exclude self-insured plans that are self-administered.

**When is the transitional reinsurance fee due?**

Key Deadlines for the 2014 Benefit Year		
Activity	Contribution Amount	Due Date
Submit Annual Enrollment Count		November 15, 2015
Remit first Contribution Amount	\$52.50 per covered life	January 15, 2015
Remit second Contribution Amount	\$10.50 per covered life	November 15, 2015
Total	\$63.00 per covered life	January 15, 2015 if elected

**How do you remit the transitional reinsurance fee?**

There are a few steps to the process. First the contributing entity must enter the Annual Enrollment Count in the CMS portal by November 15, 2014. The system will calculate the amount due and the contributing entity will enter the payment schedule.

HHS will offer contributing entities the option to pay: (1) the entire 2014 benefit year contribution in one payment no later than January 15, 2015 reflecting \$63.00 per covered life; or (2) in two separate payments for the 2014 benefit year, with the first remittance due by January 15, 2015 reflecting \$52.50 per covered life, and the second remittance due by November 15, 2015 reflecting \$10.50 per covered life.

***The Transitional Reinsurance Program Annual Enrollment and Contributions Submission Form is expected to be available on October 24, 2014. CMS issued a [manual](#) on October 20, 2014.***

### How do you calculate covered lives?

CMS issued "[The Transitional Reinsurance Program Operational Guidance: Counting Method Examples for Contributing Entities](#)" on July 17, 2014 which provides details regarding the following methods to count covered lives. Briefly, a plan sponsor can use the:

- Actual count method – add the total number of covered lives (reinsurance contribution enrollees) covered for each day of the first nine months of the benefit year and divide that total by the number of days in those nine months
- Snapshot count method – add the total number of covered lives of reinsurance contribution enrollees on any date during the same corresponding month in each of the first three quarters (e.g., March, June, September) and divide that total by the number of dates on which a count was made.
- Snapshot factor method – (used only by self-insured group health plans and multiple group health plans maintained by the same plan sponsor that do not include an insured plan). This method requires that the contributing entity add the total number of covered lives of reinsurance contribution enrollees with self-only coverage on any date during the same corresponding month in each of the first three quarters of the benefit year and divide that total by the number of dates on which a count is made and multiply the result by 2.35.
- Form 5500 method – (used only by self-insured group health plans)
  - Plans offering self-only coverage – add the number of participants at the beginning of the plan year and end of the plan year as reported on the most current Form 5500 and divide by 2
  - Plans offering self-only coverage and other than self-only coverage – add the participants covered at the beginning of the year and at the end of the plan year.

### Who can be excluded from the definition of reinsurance contribution enrollees?

Reinsurance contributions are not required to be paid more than once with respect to the same covered life.

A contributing entity is **NOT** required to make reinsurance contributions for the following types of coverage:

- Plans consisting solely of excepted benefits (for example, stand-alone dental or vision coverage)
- Medicare
- Medicaid
- Children's Health Insurance Program (CHIP)
- Federal or State high-risk pool
- Basic health plan coverage
- A Health Reimbursement Account (HRA) that is integrated with a self-insured group health plan or health insurance coverage
- Health savings accounts (HSA)
- Health flexible spending accounts (FSA)
- Employee assistance plan, disease management program, or wellness program that does not provide major medical coverage
- Stop-loss policy or indemnity reinsurance policy
- TRICARE and other military health benefits for active or retired uniformed service personnel
- Plans provided by an Indian Tribe to Tribal members and their spouses and dependents (and other persons of Indian descent closely affiliated with the Tribe), in the capacity of the Tribal members as Tribal members (not in a capacity as current or former employees of the Tribe)
- Health programs operated under the authority of the Indian Health Service

- Plans consisting solely of prescription drug benefits
- Expatriate coverage unless the coverage is through a policy filed and approved by a state department of insurance

**What should plan sponsor do now?**

- Register with [REGTAP](#) (The Registration for Technical Assistance Portal) if you haven't done so already. When the Form becomes available, a notice will be sent to REGTAP registrants. You can also access program related documents and FAQs on REGTAP by selecting Library of FAQ on the REGTAP dashboard and filtering by Program Area "Reinsurance-Contributions." REGTAP also allows registrants to submit inquiries and sign up for events.
- Determine how you will count reinsurance contribution enrollees
- Document, document, document

**Note:** all links are active as of the date of issuance of this ErisaALERT.

Disclaimer: This material is for the sole purpose of providing general information and does not under any circumstances constitute legal advice and should not be used as a substitute for legal advice. You should seek the advice of counsel when applying the requirements to your plan. For more information on this ErisaALERT contact us by phone at 610-524-5351 and ask for Mary Andersen; 201-924-7216 and ask for Leanne Fosbre or 215-508-5629 and ask for Theresa Borzelli at SFE&G.