

Transitional Reinsurance Contribution Form to be Available October 24th.

Issue Date: October 2014

The first submission of membership numbers to the Department of Health and Human Services (HHS) for purposes of the transitional reinsurance contributions is due by November 15th of this year. Employers who sponsor self-funded health plans must report membership and schedule the first payment via a form on www.pay.gov. CMS has just announced that the form will be available on October 24th. In addition, 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' (either health insurance companies or sponsors of self-funded plans) are required to make reinsurance payments annually for 'major medical coverage.' Payments are calculated by multiplying the average number of covered lives during the benefit year by the contribution rate for the applicable year.

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%.

Reinsurance contributions do not apply to:

- Health Savings Accounts (HSAs);
- Health Flexible Spending Accounts (FSAs);
- Health Reimbursement Accounts (HRAs) that are integrated with a group health plan;
- Self-funded dental and vision plans that meet the requirements of being an excepted benefit;
- 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.

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.

Submission Process for Reinsurance Contributions

Reporting Membership

Contributing entities must first report the plan's membership by November 15th each year. To determine the membership count, 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 annual enrollment count. 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 (membership) 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.

Summary

The recent CMS announcement regarding the availability of the form and the manual providing submission instructions confirms that the reinsurance contributions will be collected in accordance with the timeframes set forth in the regulations. 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 plan membership by November 15th using the form which is to be available by October 24th.

For more details on the counting methods and the reinsurance contributions generally, access our previous issue brief [here](#).

CMS has provided a summary of the transitional reinsurance contributions [here](#).

And finally, the *Annual Enrollment and Contributions Submission Form Manual* can be found [here](#).

Please be aware that this does not represent legal or tax advice and is only Frenkel's interpretation of the laws, regulations and statutes. It is highly recommended that you seek the advice of your legal and tax professional as to the applicability of this information to your particular situation.