

Reporting Requirement for Transitional Reinsurance Fee - Due by November 15, 2014

➔ **Overview**

You may recall that the Patient Protection and Affordable Care Act (PPACA) added new fees for health plans. In addition to the PCORI (which is paid during the summer) employers are also responsible for the Transitional Reinsurance Fee.

All health insurance issuers and self-insured group health plans offering major medical coverage are required to pay the fee. If you offer a self-insured major medical health plan you will be responsible for reporting and paying the Fee. If you have a fully-insured health plan, check with your carrier as they will likely pay the fee.

The fee is owed with respect to any major medical plan. The fee will not be assessed on the following types of health plan arrangements:

- (1) Stand-alone dental or vision plans,
- (2) Retiree medical plans that provide benefits secondary to Medicare,
- (3) Health reimbursement accounts (HRAs) that are integrated with major medical coverage,
- (4) Health savings accounts (HSAs),
- (5) Health flexible spending accounts (FSAs),
- (6) Employee assistance plans (EAPs),
- (7) Wellness programs, or
- (8) Prescription drug-only plans.

The fee will be collected for calendar years 2014, 2015 and 2016 only. The fee amount for 2014 is \$63 per covered life. The amount due for 2015 will be \$44 per covered life. The fee amount for 2016 will be announced in a future year.

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➔ *Calculating Covered Lives*

For self-insured group health plans, a plan sponsor may elect to count covered lives in one of four ways:

1. **Actual Count Method:** Add the total number of covered lives (employees, dependents, COBRA qualified beneficiaries, etc.) for each day of the first nine months of 2014, and then dividing by the total number of days in those first nine months. (total number of employees / 273).
2. **Snapshot Method:** Adding the total number of covered lives on any date (or multiple dates) during the same corresponding month in each of the first three quarters of 2014, and then dividing that by the total number of dates used.
 - For example, you may elect to look at the number of covered lives on the 1st day of each the first month of each calendar quarter (January 1, April 1, and July 1), and divide by three. Alternatively, you could look at the number of covered lives on the 15th day of each of the first two months of each quarter (so January and February 15th, April and May 15th, and July and August 15th), and divide by six. The date(s) used for the second and third quarters must fall within the same week of those quarters as the corresponding date used for the first quarter.
3. **Snapshot Factor Method:** A variation on the above method: using the same quarterly dates, count each participant with self-only coverage as "1 covered life" and each participant with some other type of coverage as "2.35 covered lives." This 2.35 becomes a proxy for the actual number of covered lives under a coverage level other than self-only coverage.

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➔ *Calculating Covered Lives Continued*

4. **Form 5500 Method:** Use the participant count reported on the most recently filed Form 5500. For this purpose, you are required to add the number of participants as reported at the beginning and end of the year, and treat the sum of those two numbers as your total covered lives. Using this method allows you to ignore dependents, who are not considered "participants" that must be reported on the Form 5500.
5. There is a special rule for plans that only offer self-only coverage, which allows the plan to divide the beginning and ending participant count by two. However, if you do not file a Form 5500, then it appears this option is not available.

If your group health plan has both fully-insured and self-insured options, provided you are separately tracking covered lives, you can use any of the methods above to determine the covered lives for your self-insured options. Health insurance carriers are required to use one of the methods in the first two bullet points when calculating their required fee.

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➔ *Paying the Transitional Reinsurance Fee*

To pay the Fee utilize the following three step process

1. Go to Pay.gov and access the "ACA Transitional Reinsurance Program Annual Enrollment and Contributions Submission Form."
2. Enter the total number of covered lives on this form, designate the counting method used, list the names of the plans being reported and provide any other required information.
3. The HHS will then auto-calculate the amount of the Fee due for the year based on the number of covered lives reported, and notify the contributing entity of the amount due.

Payments will be made in two installments as described in the chart below

Key Deadlines for 2014 - 2015

Date	Activity	Fee
No later than: November 15, 2014	Submit annual enrollment count	None
No later than: January 15, 2015	Remit first installment of fee	\$52.50 per covered life
No later than: November 15, 2015	Remit second installment of fee	\$10.50 per covered life

If you have further questions or need additional assistance contact Cornerstone Municipal Advisory Group.