

# 10 THINGS YOU NEED TO KNOW ABOUT:

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## AFFORDABLE CARE ACT REINSURANCE 2014

The Affordable Care Act (ACA) created a temporary transitional reinsurance program to help stabilize premiums in the individual market. The program will be funded by contributions collected from health insurance carriers and sponsors of certain self-funded group health plans for the 2014 – 2016 calendar (benefit) years. The insurance carrier will make reinsurance contributions for employers who provide insured Major Medical Coverage to employees in 2014 and therefore, this information may not directly apply to those readers (although the process and deadlines are expected to be the same for the 2015 and 2016 benefit years).

*If you sponsor (or sponsored) a Major Medical plan that is self-funded FOR ANY PORTION of the 2014 calendar year that includes January 1 – September 30, 2014, here are 10 important facts you need to know about the ACA reinsurance program and how to comply by the November 15, 2014 deadline.*

### 1 Contributing Entities Are Required To Make Reinsurance Contributions For Major Medical Coverage

Contributing Entities are health insurance issuers (carriers) and self-funded group health plans. Third party administrators and ASO contractors are permitted but not required to file and pay reinsurance contributions on behalf of their self-funded clients however; many national carriers have indicated they will only provide the **Enrollment Count** to self-funded plans and not prepare the filing or pay the reinsurance contributions.

benefit options (i.e. a self-funded PPO and insured HMO) you will only need to pay reinsurance contributions for those enrolled in the self-funded option.

### 4 ONE Reinsurance Contribution (\$63 for 2014) Is Required Per Covered Life

If you can identify anyone with other coverage that pays primary to your plan you may exclude that person in your **Enrollment Count** (i.e. an employee's spouse for whom your plan pays secondary because the spouse is also covered by a group health plan from his/her employer).

### 2 Major Medical Coverage Is Health Coverage For A Broad Range Of Services And Treatments Provided In Various Settings That Provides Minimum Value

Your plan's minimum value status may be found on the 2014 Summary of Benefits and Coverage.

### 5 Enrollment Count May Be Determined Using Any One Of The Methods Used To Calculate Covered Lives For The Patient Centered Outcomes Research (PCOR) Fee With Some Slight Modifications

Plan sponsors may use the Actual Count, Snapshot Count, and the Snapshot Factor method however; the reinsurance **Enrollment Count** is determined over the **first 9 months of the calendar year** (PCOR uses 12 months) and the result is rounded to the nearest hundredth. Plan sponsors may also use the 5500 method based on the enrollment information reported on the last 5500 filed with the Department of Labor. You may combine the count for all your self-funded benefit options from which employees may elect coverage

### 3 The Total 2014 Reinsurance Contribution Amount Is Equal To \$63 Times The 2014 Enrollment Count (Average Number Of Covered Lives Including Dependents) Under Self-Funded Major Medical Plan(s)

If your medical program consists of self-funded and insured



**5** (i.e. self-funded PPO and self-funded POS). Plan sponsors aren't bound to use the same enrollment count method as may have been used in determining the PCOR fee. A summary and examples of the enrollment count methods may be found [here](#). The following is an example for an employer with a self-funded plan for a portion of 2014 who has elected to use the Snapshot Factor method.

#### FACTS

An employer offers Major Medical coverage to employees. At the May 1, 2014 renewal, the employer began to self-fund the coverage that was previously offered under an insured arrangement. The employer is liable for reinsurance contributions for 2014 and has elected to use the Snapshot Factor method to determine the Enrollment Count. The employer has opted to select one day in each of the first three quarters in 2014 to get a snapshot of the plan's enrollment.

#### ENROLLMENT

January 15, 2014 & April 15, 2014\*: Zero

July 15, 2014: 100 employees with single coverage;  
250 employees with other coverage levels therefore...

Covered lives =  $100 + 250 \times 2.35$  (Snapshot Factor) = 687.50

2014 Enrollment Count:  $[0 + 0 + 687.50] / 3 = 229.17$

2014 Reinsurance Contribution:  $229.17 \times \$63 = \$14,437.71$

*\*The plan was covered by a contract of insurance and therefore, the carrier is responsible for reinsurance contributions for January 1, 2014 – April 30, 2014.*

#### **6** *The Process Is All Electronic via [Pay.Gov](#)*

Plan sponsors will need to (a) register and establish an account on [Pay.Gov](#), (b) complete the contribution Form by entering company information, contact personnel, and the Enrollment Count, (c) upload the required supporting documentation file (.csv format file layout may be found [here](#)) that includes similar information you report on the contribution Form, (d) enter payment and bank account information, and (e) schedule the date(s) you wish the payment(s) to be automatically drawn from the designated bank account. CMS will only accept electronically drawn reinsurance contributions from the bank account that is provided; contributions cannot be remitted in any other fashion. Plan sponsors may need to alert their bank to the following automatic ACH debit unblock code: 7505008015.

#### **7** *Know the DEADLINES*

**November 15, 2014** to electronically submit the 2014 Enrollment Count, upload the separate documentation file (.csv format) and schedule your reinsurance payment(s). If you wish to make a single reinsurance payment ( $\$63 \times$  Enrollment Count) this must be scheduled to be paid no later than **January 15, 2015**. Alternatively you may elect to pay the reinsurance contribution in two separate installments that must be scheduled to be paid no later than the following deadlines: **January 15, 2015**: 1<sup>st</sup> 2014 installment ( $\$52.50 \times$  Enrollment Count) and **November 15, 2015**: 2<sup>nd</sup> 2014 installment ( $\$10.50 \times$  Enrollment Count). In either case the plan sponsor must *schedule the selected installment payment(s)* no later than **November 15, 2014**. The system will calculate your payment(s) based on the Enrollment Count you enter. If you select the 2-payment option, you will also need to duplicate the contribution Form. CMS recommends you schedule the payment at least 30 days after you submit your information to allow CMS time to review the submission.

#### **8** *Certain Plans Are Exempt From Reinsurance Contribution Requirements*

Excepted benefit plans (such as many stand-alone dental and vision plans, certain health FSAs, supplemental and indemnity plans), government plans (Medicare, Medicaid, etc.), HRAs, HSAs, EAPs, stop-loss, and Rx only plans are exempt. Reinsurance contributions are also not required for **insured expatriate health coverage** (although self-funded expatriate plans are subject to pay reinsurance contributions), dual Medicare/group coverage where Medicare is primary and the group health plan pays secondary, retiree medical plans where the retiree medical plan pays secondary to Medicare (over age 65 retirees) and for individuals with a primary residence in a U.S. territory.

#### **9** *For The Record...Plan Records Must Be Maintained For 10 Years, Audits Are Possible And Penalties Apply*

Plan sponsors must keep documentation of how the Enrollment Count was determined.

#### **10** *The Reinsurance Contribution Is A Tax Deductible Expense*

To plan for next year, the Reinsurance Contribution Amount is currently scheduled to drop to \$44 for the 2015 benefit year.

#### ADDITIONAL INFORMATION

For specific questions concerning information contained in this **10 Things**, please contact your CohnReznick Benefits consultant. Information contained in this **10 Things** is not intended to render tax or legal advice. Employers should consult with qualified legal and/or tax counsel for guidance with respect to matters of law, tax and related regulation. CohnReznick Benefits consultants provides comprehensive consulting and administrative services with respect to all forms of employee benefits, risk management, qualified and non-qualified retirement plans, M&A due diligence, private client services, and compensation and human resources. For additional information about our services, please contact us at 516.683.6100 or [mail@cohnreznickbenefits.com](mailto:mail@cohnreznickbenefits.com).