

# SecureOne Benefit Administrators, Inc.

## PPACA NEWS RELEASE

December 2012

### “Transitional Reinsurance Program Assistance Fee”

HHS (Health and Human Services) released on November 30, 2012, proposed regulations regarding the estimated amount of annual contributions that are required to be paid to HHS from Health Insurance Issuers and Employer-Sponsored Group Self-Funded health plans to finance State transitional reinsurance programs.

#### Transitional Reinsurance Program Fees

- ◆ The Transitional Reinsurance Program Assistance Fee is intended to stabilize premiums for coverage in the individual market in a state during the first three (3) years that the State Health Insurance Exchanges are operational (2014 through 2016).
- ◆ If a State chooses not to establish the Transitional Reinsurance Program, HHS shall set it up for the State.
- ◆ HHS says the program will, with the contributions, be used to partially reimburse commercial insurers writing individual policies with high health care cost.

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- ◆ HHS is estimating the annual contribution rate will be \$63 per covered life, or \$5.25 per covered person per month in 2014 (the Exchange must be up and running).
- ◆ A covered life would not be based upon the number of employee participants in the group health plan. Rates are on all individuals (EE, Spouses and Dependents) covered under the plan.
- ◆ The IRS stated the fee contributions can be deducted as an ordinary and necessary business expense paid or incurred in carrying on a trade or business, subject to any applicable disallowances or limitations under the Internal Revenue Code.
- ◆ The proposed regulation would require plan administrators to send the annual enrollment counts to HHS by November 15, 2014, then HHS will send out bills by December 15, 2014 with payments due thirty (30) days later.

#### Excluded Plans

- ◆ HIPAA excepted benefits such as; stand-alone dental vision plans and on-site medical clinics.
- ◆ Health Savings Accounts (HSA's)
- ◆ Health Reimbursement Arrangements (HRA) that are integrated with a group health plan.
- ◆ Health Flexible Spending Accounts (FSA's)
- ◆ Disease Management program and wellness programs to the extent they do not provide major medical coverage.
- ◆ Stop-Loss and Indemnity reinsurance policies.
- ◆ Plans or coverage by an Indian Tribe to Tribal members and their spouses and dependents.

#### Medicare

- ◆ Medicare Secondary payer rules apply to the fee.
- ◆ Plans are not liable for post-65 retirees and dependents.
- ◆ Plan are liable for payment of the fee with respect to individuals over age 65, **IF** the group plan is the primary payer of medical expenses under Medicare secondary payer rules.



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## Transitional Reinsurance Program Assistance Fee Cont.

### Calculating the Fee

- ◆ The proposed Transitional Reinsurance Program Assistance Fee will allow the same method to determine the number of lives as stated in the Patient Centered Outcomes Research Institute (PCORI) trust fund.
- ◆ IF TWO OR MORE PLANS collectively, in a self funded plan, provide major medical coverage for the same covered lines, the plans are treated as a single self-funded group health plan (this approval will avoid the double counting of a covered life for major medical coverage offered to multiple plans and limit plan sponsors from attempting to avoid reinsurance contributions by splitting coverage into separate arrangements thus trying to claim they do not offer major medical coverage).

### Self-Funded Employer Sponsored Plans Method of Calculating

- ◆ SecureOne's previous (PPACA) news release discussed in depth the Patients Center Outcomes Research Institute (PCORI) fees. The same methods may be utilized to establish a covered live count.
  1. Actual Count or Snapshot count
  2. Snapshot Factor
  3. 5500 Form Method
- ◆ Should you as an employer offer a group health plan that has both a fully-insured and self insured option, the proposed rule would require to use the actual count or snapshot count method.
- ◆ SecureOne will assist all clients with determining the number of covered lives.
- ◆ Contributing plans will be allowed to use a different counting method that stated above but that method has yet to be determined by HHS.

### Actions to be taken

- ◆ HHS is accepting comments to the rule no later than December 31, 2012, along with whether HHS has the authority under PPACA to defer \$2 billion of the re-insurance payments that are paid to the U.S. Treasury to partially offset the cost of the Early Retirement Reinsurance Program (ERRP) until 2016.
- ◆ Contact your Congressman or Senator to let your business voice be heard.
- ◆ Proposal rule can be found at <http://www.gpo.gov/fdsys/pkg/FR-2012-12-07/pdf/2012-29184.pdf>
- ◆ IRS FAQ: <http://www.irs.gov/uac/Newsroom/ACA-Section-1341-Transitional-Reinsurance-Program-FAQs>.

*SecureOne Benefit Administrators is a full service third party administrator since 1979 providing superior quality controlled administrative services for self-insured employers and at the same time keeping our clients well informed.*



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