



Keeping up with Health Care Reform

Transitional Reinsurance Program Fee

Health plans pay a Transitional Reinsurance Program Fee beginning with calendar year 2014

Transitional Reinsurance (TR) Program Fee

One of the provisions under the Patient Protection and Affordable Care Act (Health Care Reform aka ACA) requires health plans to pay a Transitional Reinsurance Program Fee beginning with calendar year 2014. The TR fee is payable on a calendar year basis, not plan year, and is to fund reimbursements to individual market health insurers who enroll high risk individuals over the period of calendar years 2014, 2015 and 2016. The intent is that these reimbursements will help to stabilize premiums in the individual health insurance market, thus making that coverage more affordable.

The TR fee applies to insured and self-insured major medical plans and health reimbursement arrangements (HRAs) that are not integrated with the

employer's major medical plan if the HRA reimburses expenses other than dental or vision expenses, only.

The TR fee does not apply to an integrated HRA, a retiree-only HRA or a Health Care FSA.

The issuer of an insured health plan and the sponsor (employer) of a self-insured health plan pays the TR fee to the Department of Health and Human Services (HHS) for each covered life (covered individual) under the plan (i.e., employee, spouse and dependents), including individuals covered through COBRA continuation.

The plan counts the covered individuals using one of three regulatory methods (actual count, snapshot count or Form 5500 count) and reports the count

of covered individuals for the first 9 months of the calendar year to HHS no later than November 15 each year. HHS then notifies the plan, by December, of the total TR fee owed for the calendar year with payment due within 30 days of the notification date.

The actual TR fee per covered life is a function of the statutory fund established for each of the three calendar years divided by the total of covered lives in all plans. For 2014, the estimated TR fee is \$63 per covered life per year, or \$5.25 per covered life per month. The statutory fund amount decreases in 2015 and 2016, so the TR fee per covered life will be less in each of those years.

Recent guidance from HHS provides that the TR fee due from the plan is payable in two installments: the first installment to create the reinsurance fund is due no later than 30-days after the HHS notice of the amount due (for 2014 the estimate is \$52.50 per covered life); the second installment, to fund HHS' administrative costs of providing the reinsurance reimbursements, is due

during the 4th quarter of the calendar year no later than 30-days after the HHS notice of the amount due (for 2014 the estimate is \$10.50 per covered life).

Insured health plans will likely increase premiums to cover the TR fee. Self-insured health plans will witness a similar increase in plan costs.