



March 25, 2014

## Final Transitional Reinsurance Fee Rules

The Department of Health and Human Services (HHS) issued a [final regulation](#) on the transitional reinsurance program (TRP) fee created by the Patient Protection and Affordable Care Act (PPACA). The TRP fee is imposed on fully-insured plans and plan administrators (on behalf of self-insured group health plans) and is intended to help partially offset the risk of high-cost individuals and control insurance premium increases under the health insurance exchanges that are now available. See our [Update](#) for details on the basic TRP rules.

The final regulations generally adopt the rules from proposed regulations, but the final regulations provide some helpful clarifications as noted below:

- Covered lives will be counted on a calendar year basis regardless of whether plans maintain a non-calendar year.
- The fee, applicable for 2014, 2015 and 2016, equals the yearly rate times the number of individuals covered by the plan. The 2014 rate remains \$63 (\$5.25 per month) per covered life, and the 2015 contribution rate is now set at \$44 per covered life. HHS will set the contribution rate for 2016 at a later date.
- If an employer maintains two or more plans that collectively provide major medical coverage for the same covered lives, then those plans must be aggregated and treated as a single plan. However, in determining the number of covered lives under a plan that offers both self-funded and insured coverage options for providing major medical coverage to different groups, in order to avoid "double counting," employers may disaggregate the plan and treat the options as separate plans for counting purposes.
- Contributing entities only have to pay a TRP fee for plans that provide "major medical coverage", and COBRA beneficiaries and collectively bargained employees will be counted and subject to the TRP fee.
- Retirees and other former employees are only counted for the TRP fee to the extent their employer-provided coverage is primary to Medicare, based on the application of Medicare Secondary Payor rules.
- "Major medical coverage" means, for purposes of the TRP, a catastrophic plan, an individual or small group market plan subject to certain actuarial value requirements, or health coverage for a broad range of services and treatments provided in various settings that provides minimum value.
- Plans that provide expatriate health coverage or only prescription drug coverage do not have to pay a TRP fee.
- The fee will be collected in two phases each year. The actual reinsurance component of

the fee will be due at the beginning of the following calendar year (i.e., in early 2015 for the 2014 fee) and the component of the fee attributable to the collection of Early Retiree Reinsurance Program expenditures will be due at the end of the following calendar year (i.e., in late 2015 for the 2014 fee). HHS will notify a contributing entity of the contribution amount to be paid within 30 days (not 15 days) after the contributing entity submits its annual enrollment data to HHS.

- Any self-insured group health plan that does not use a third party administrator for their “core administrative functions of claims processing or adjudication (including the management of internal appeals) or plan enrollment” for the 2015 and 2016 benefit years is excluded from making reinsurance contributions for those years. The rule does not provide any relief for these plans for 2014. This exception is likely available to multiemployer plans that self-administer and not self-insured employer plans that typically use third party claims administrators.

The TRP fee imposes a significant cost to employers, employees, their families and retirees covered by former employers, none of whom will receive any of the benefits of the exchanges. Depending on whether the plan at issue is self-administered, certain additional reporting obligations also apply. Should you have questions about this or any aspect of healthcare reform, contact your Conner Strong & Buckelew account representative toll free at 1-877-861-3220. For a complete list of Legislative Updates issued by Conner Strong & Buckelew, visit our online [Resource Center](#).



connerstrong.com



877-861-3220



news@connerstrong.com



Change My Preferences

CONNER  
STRONG &  
BUCKELEW

INSURANCE | RISK MANAGEMENT | EMPLOYEE BENEFITS

in

[Click here to change your email preferences or unsubscribe from all communication.](#)