The Transitional Reinsurance Program: Contributing Entities and Counting Methods

July 14, 18, and 23, 2014

Payment Policy & Financial Management
Group, Division of Reinsurance Operations

WWW.REGTAP.INFO

Session Guidelines

- This is a ninety-minute webinar session
- For questions regarding content, please submit inquiries to REGTAP at https://www.REGTAP.info/
- For questions regarding logistics and registration, please contact the Registrar at: (800) 257-9520

Purpose & Objectives

- Define contributing entities
- Explain the counting methods and which contributing entities may use them
- Inform participants about additional educational opportunities

Intended Audience

- Health Insurance Issuers
- Self-insured Group Health Plans
- Third Party Administrators (TPAs)
- Administrative Services-only (ASO) Contractors

Overview of the Transitional Reinsurance Program

- A transitional program established by Section 1341 of the Affordable Care Act (ACA) to help stabilize premiums in the individual market
- Contributions are required for the 2014, 2015 and 2016 benefit years
- Funded by contributions collected from health insurance issuers and certain self-insured group health plans to cover costs for high-cost individuals enrolled in non-grandfathered reinsurance-eligible individual market plans

Contribution Submission Process

- The Department of Health and Human Services (HHS) is implementing a streamlined approach to complete the contributions process through Pay.gov
- To successfully complete the reinsurance contribution process, contributing entities must:
  - Register on Pay.gov
  - Access the “ACA Transitional Reinsurance Program Annual Enrollment and Contributions Submission Form”
  - Schedule payment for calculated reinsurance contributions on the payment page
- Form availability on Pay.gov will be announced at a later date

Who Makes Contributions?

- Contributing entities are required to make contributions to fund the Transitional Reinsurance Program – contributing entities generally include:
  - A health insurance issuer;
  - A self-insured group health plan;
  - Group health plans with a self-insured coverage option and an insured coverage option;
  - Multiple group health plans, including an insured plan, that are maintained by the same plan sponsor, that collectively provide major medical coverage for the same covered lives simultaneously; and
  - Multiple group health plans, **NOT** including an insured plan, that are maintained by the same plan sponsor, that collectively provide major medical coverage for the same covered lives simultaneously.

Contributions Are Required For…

- Major medical coverage that is part of a commercial book of business
- For the purpose of reinsurance contributions, “major medical coverage” is defined in 45 CFR 153.20 as:
  - A catastrophic plan, an individual or a small group market plan subject to the actuarial value requirements under 45 CFR 156.140; or
    - https://www.cms.gov/CCIIO/Resources/Regulations-and-Guidance/Downloads/av-calculator-final.xlsm
  - Health coverage for a broad range of services and treatments provided in various settings that provides minimum value as defined in 45 CFR 156.145
    - https://www.cms.gov/CCIIO/Resources/Regulations-and-Guidance/Downloads/mv-calculator-final-4-11-2013.xlsm

Reinsurance Contributions and Double Counting

- Under 45 CFR 153.400(a)(1), reinsurance contributions are not required to be paid more than once with respect to the same covered life

Contributions Are NOT Required For . . .

- A contributing entity is **NOT** required to make reinsurance contributions for the following types of coverage:
  - Plans consisting solely of excepted benefits as defined under section 2791(c) of the Public Health Service Act
  - Medicare
  - Medicaid
  - Children's Health Insurance Program (CHIP)
  - Federal or State high-risk pool
  - Basic health plan coverage
  - A Health Reimbursement Account (HRA) that is integrated with a self-insured group health plan or health insurance coverage
  - Health savings accounts (HSA)
  - Health flexible spending accounts (FSA)
  - Employee assistance plan, disease management program, or wellness program that does not provide major medical coverage

Contributions Are Not Required For (Continued) . . .

- A contributing entity is also **NOT** required to make reinsurance contributions for the following types of coverage:
  - Stop-loss policy or indemnity reinsurance policy
  - TRICARE and other military health benefits for active or retired uniformed service personnel
  - Plans provided by an Indian Tribe to Tribal members and their spouses and dependents (and other persons of Indian descent closely affiliated with the Tribe), in the capacity of the Tribal members as Tribal members (not in a capacity as current or former employees of the Tribe)
  - Health programs operated under the authority of the Indian Health Service
  - Plans consisting solely of prescription drug benefits

Expatriate Health Coverage, Medicare Coverage and Territories

- **Expatriate Health Coverage**: a contributing entity is not required to make reinsurance contributions for lives covered by its self-insured group health plans and health insurance coverage to the extent that such plan or coverage is expatriate health coverage, as defined by the Secretary [45 CFR 153.400(a)(1)(iii)]
- **Medicare**: a contributing entity is not required to make reinsurance contributions for lives covered by its self-insured group health plans and health insurance coverage to the extent that, in the case of employer-provided health coverage, such coverage applies to individuals with respect to which benefits under Title XVIII of the Social Security Act (Medicare) are primary under the Medicare Secondary Payor rules [45 CFR 153.400(a)(1)(iv)]
- **Territories**: Reinsurance contributions are not required to the extent such plan or coverage applies to individuals with primary residence in a territory that does not operate the transitional reinsurance program [45 CFR 153.400(a)(1)(v)]

Secondary Coverage

- Reinsurance contributions are generally required for major medical coverage that is part of a commercial book of business, but are **not** required, in the case of employer-provided group health coverage if:
  - (a) such coverage applies to individuals with individual market health insurance coverage for which reinsurance contributions are required [45 CFR 153.400(a)(1)(vi)(A)]; or
  - (b) such coverage is supplemental or secondary to group health coverage for which reinsurance contributions must be made for the same covered lives [45 CFR 153.400(a)(1)(vi)(B)]

Self-Insured, Self-Administered Exemption

- For the 2015 and 2016 benefit years, reinsurance contributions are not required from a self-insured group health plan that does not use a TPA in connection with claims processing or claims adjudication (including the management of internal appeals) or plan enrollment. Exceptions permit the use of TPAs for:
  - Pharmacy benefits and/or excepted benefits
  - *De minimis* administrative services for medical benefits
  - Leasing of provider networks and related services

2014 Contribution Rate

- Section 1341 of the Affordable Care Act specifies the collection of reinsurance contributions for the 2014 benefit year as $10 billion for the reinsurance payment pool, $2 billion for the General Fund of the U.S. Treasury, as well as permits the collection of additional amounts for reinsurance administrative expenses
  - As finalized in the 2014 Payment Notice [78 FR 15410], the amount to be collected for reinsurance administrative expenses for 2014 is $20.3 million
- The reinsurance contribution rate was finalized in the 2014 Payment Notice at $63.00 per covered life for the 2014 benefit year

Calculating Contribution Amounts

Contribution amounts are calculated by multiplying a contributing entity's annual enrollment count by the annual per covered life contribution rate

EXAMPLE:

Description	Value	Variable	Calculation
Covered Lives	10,000	A	
2014 Uniform Contribution Rate ($)	$63.00	B	
Contribution Amount Owed ($)	?	X	X = A * B X = 10,000 * 63 X= $630,000

Counting Methods for Calculating an Annual Enrollment Count

Counting Method*	Health Insurance Issuers	Self-insured Group Health Plans
Actual Count	✓	✓
Snapshot Count	✓	✓
Snapshot Factor		✓
Member Months or State Form	✓	
Form 5500		✓

*See 45 CFR 153.405(d) through (g) for a description of each counting method.

Counting Methods: Group Health Plans with a Self-insured Coverage Option and an Insured Coverage Option

The following aggregation rules apply to group health plans with a self-insured coverage option and an insured coverage option:

- No Aggregation
  - If the group health plan determines the number of covered lives under each coverage option separately as if each provided major medical coverage, the group health plan may use any of the counting methods specified for health insurance issuers or self-insured group health plans, as applicable to each coverage option
    - For any fully insured plans, the group health plan may use the following counting methods: actual count, snapshot count and Member Months or State Form.
    - For any self-insured plans, the group health plan may use the following counting methods: actual count, snapshot count, snapshot factor or Form 5500.
- Aggregation
  - If the group health plan chooses to aggregate the covered lives under its coverage options, the group health plan must use the actual count or snapshot count counting method

Counting Methods: Multiple Group Health Plans Maintained by Same Plan Sponsor

The following aggregation rules apply if there are multiple group health plans maintained by the same plan sponsor (including one or more group health plans that provide health insurance coverage) that collectively provide major medical coverage for the same covered lives simultaneously

Counting Methods: Multiple Group Health Plans Maintained by Same Plan Sponsor (cont.)

- No Aggregation
  - If the plan sponsor determines the number of covered lives under each separate group health plan as if the separate group health plan provided major medical coverage, the plan sponsor may treat the multiple plans as separate group health plans
    - For any fully insured plans, the plan sponsor may use the following counting methods: actual count, snapshot count and Member Months or State Form.
    - For any self-insured plans, the plan sponsor may use the following counting methods: actual count, snapshot count, snapshot factor or Form 5500.
- Aggregation
  - If the plan sponsor chooses to aggregate the multiple group health plans and at least one is an insured plan, the plan sponsor must use the actual count or snapshot count counting method
  - If the plan sponsor chooses to aggregate the multiple group health plans and none of the plans are an insured plan, the plan sponsor must use the actual count, snapshot count, or snapshot factor counting method

Consistency Requirements

- A contributing entity must use the same counting method for an entire calendar year
- When calculating the average number of covered lives across two or more plans, the same counting method must be used across all of the plans, because they would be treated as a single plan for counting purposes
- Consistency in counting methods is **NOT** required between the enrollment count calculated under the Patient-Centered Outcome Research Trust Fund Rule (PCORTF Rule) and the count calculated for reinsurance purposes

Counting Method Examples

Actual Count Method – 45 CFR 153.405(d)(1)

- Add the number of covered lives of reinsurance contribution enrollees for each day of the month for the first nine months of the benefit year and divide that total by the number of days in those nine months of the calendar year
- May be used by: All contributing entities

Actual Count Method – 45 CFR 153.405(d)(1)

May be used by: All contributing entities

Month	Sum of lives covered for each day of the month	Sum of days in the month
January	905,000	31
February	910,000	28
March	905,000	31
April	910,000	30
May	910,000	31
June	915,000	30
July	900,000	31
August	925,000	31
September	915,000	30

Actual Count Method – 45 CFR 153.405(d)(1)

May be used by: All contributing entities

Month	Sum of lives covered for each day of the month	Sum of days in the month
January	905,000	31
February	910,000	28
March	905,000	31
April	910,000	30
May	910,000	31
June	915,000	30
July	900,000	31
August	925,000	31
September	915,000	30
TOTAL	8,195,000	273

Actual Count Method – 45 CFR 153.405(d)(1)

May be used by: All contributing entities

Month	Sum of lives covered for each day of the month	Sum of days in the month	Calculation
January	905,000	31	
February	910,000	28	
March	905,000	31	
April	910,000	30	
May	910,000	31	
June	915,000	30	
July	900,000	31	
August	925,000	31	
September	915,000	30	
TOTAL	8,195,000	273	A = 8,195,000 ÷ 273 A = 30,018.315 A = 30,018.32 covered lives

Snapshot Count Method – 45 CFR 153.405(d)(2)

- Add the total number of covered lives of reinsurance contribution enrollees on any date (or more dates, if an equal number of dates are used for each quarter) during the same corresponding month in each of the first three quarters (for example March, June and September) of the calendar year, and divide that total by the number of dates on which a count was made
  - The date used for the second and third quarters must fall within the same week of the quarter as the corresponding date used for the first quarter
- May be used by: All contributing entities

Snapshot Count Method – 45 CFR 153.405(d)(2)

May be used by: All contributing entities

Date for Quarter	Total number of covered lives for the date
March 5, 2014	1,600
June 5, 2014	1,650
September 5, 2014	1,650

Snapshot Count Method – 45 CFR 153.405(d)(2)

May be used by: All contributing entities

Date for Quarter	Total number of covered lives for the date
March 5, 2014	1,600
June 5, 2014	1,650
September 5, 2014	1,650
Total	4,900

Snapshot Count Method – 45 CFR 153.405(d)(2)

May be used by: All contributing entities

Date for Quarter	Total number of covered lives for the date	Number of Dates	Calculation
March 5, 2014	1,600		
June 5, 2014	1,650		
September 5, 2014	1,650		
Total	4,900	3	A = 4,900 ÷ 3 A = 1,633.333 A = 1,633.33 covered lives

Snapshot Factor Method – 45 CFR 153.405(e)(2)

- Add the total number of covered lives of reinsurance contribution enrollees on any date (or more dates, if an equal number of dates are used for each quarter) during the same corresponding month in each of the first three quarters of the calendar year (that is, March, June and September), and dividing that total by the number of dates on which a count was made
  - The date used for the second and third quarters must fall within the same week of the quarter as the corresponding date used for the first quarter
- The number of lives covered on a date is calculated by adding (1) the number of participants with self-only coverage on the date, and (2) the product of the number of participants with coverage other than self-only coverage on the date and a factor of 2.35
- May be used by: self-insured group health plans and multiple group health plans maintained by the same plan sponsor that does not include an insured plan

Snapshot Factor Method – 45 CFR 153.405(e)(2)

May be used by: Self-insured group health plans and multiple group health plans maintained by the same plan sponsor that does not include an insured plan

Date for Quarters	Total number of self-only covered lives for the date	Total number of covered lives other than self-only for the date
March 5, 2014	1,000	1,880 (2.35*800)
June 5, 2014	1,100	2,103.25 (2.35*895)
September 5, 2014	1,175	2,232.50 (2.35*950)

Snapshot Factor Method – 45 CFR 153.405(e)(2)

May be used by: Self-insured group health plans and multiple group health plans maintained by the plan sponsor not including an insured plan

Date for Quarters	Total number of self-only covered lives for the date	Total number of covered lives other than self-only for the date
March 5, 2014	1,000	1,880 (2.35*800)
June 5, 2014	1,100	2,103.25 (2.35*895)
September 5, 2014	1,175	2,232.50 (2.35*950)
Total	3,275	6,215.75

Snapshot Factor Method – 45 CFR 153.405(e)(2)

May be used by: Self-insured group health plans and multiple group health plans maintained by the plan sponsor not including an insured plan

Date for Quarters	Total number of self-only covered lives for the date	Total number of covered lives other than self-only for the date	Number of Dates	Calculation
March 5, 2014	1,000	1,880 (2.35*800)		
June 5, 2014	1,100	2,103.25 (2.35*895)		
September 5, 2014	1,175	2,232.50 (2.35*950)		
Total	3,275	6,215.75	3	A = (3,275+6,215.75) ÷ 3 A = 3,163.583 A = 3,163.58 covered lives

Member Months or State Form Method – 45 CFR 153.405(d)(3)

- Multiply the average number of policies in effect for the first nine months of the calendar year by the ratio of covered lives per policy in effect, calculated using the prior National Association of Insurance Commissioners (NAIC) Supplemental Health Care Exhibit or a form filed with the issuer's State of domicile for the most recent time period
- May be used by: Health insurance issuers

Member Months or State Form Method – 45 CFR 153.405(d)(3)

May be used by: Health insurance issuers

STEP 1

Month	Number of Policies in Effect Each Month
January	5,000
February	5,000
March	4,500
April	4,500
May	4,500
June	4,500
July	4,750
August	5,000
September	5,000

Member Months or State Form Method – 45 CFR 153.405(d)(3)

May be used by: Health insurance issuers

Month	Number of Policies in Effect Each Month	Number of Months	Calculation of Average Number of Policies
January	5,000		
February	5,000		
March	4,500		
April	4,500		
May	4,500		
June	4,500		
July	4,750		
August	5,000		
September	5,000		
Total	42,750	9	C = 42,750 ÷ 9 C = 4,750 average number of policies

Member Months or State Form Method – 45 CFR 153.405(d)(3)

STEP 2

	Number of Policies	Number of Covered Lives	Calculation of Ratio
Previous Year's NAIC Supplemental Health Care Exhibit Part 1*	39,550	98,875	D = 98,875 ÷ 39,550 D = 2.5 ratio of covered lives per policy in effect

** The issuer may use either the previous year's NAIC Supplemental Health Care Exhibit or a form filed with the issuer's state of domicile for the most recent time period*

Member Months or State Form Method – 45 CFR 153.405(d)(3)

STEP 3

Description	Value	Variable
Average Number of Policies in Effect	4,750	C
Ratio of Covered Lives Per Policy	2.5	D
Number of Covered Lives	?	A

Member Months or State Form Method – 45 CFR 153.405(d)(3)

Description	Value	Variable
Average Number of Policies in Effect	4,750	C
Ratio of Covered Lives Per Policy	2.5	D
Number of Covered Lives	?	A

Calculation of Covered Lives
A = C * D
A = 4,750 * 2.5
A = 11,875 covered lives

Form 5500 Method – 45 CFR 153.405(e)(3)

- Use the number of lives covered for the most current plan year calculated based upon the “Annual Return/Report of Employee Benefit Plan” filed with the Department of Labor (Form 5500) for the last applicable time period
- The number of lives covered for the plan year for a plan offering only self-only coverage equals the sum of the total participants covered at the beginning and end of the plan year, as reported on lines 5 and 6(a)-(c) of the Form 5500, divided by 2
- May be used by: Self-insured group health plans

Form 5500 Method – 45 CFR 153.405(e)(3)

May be used by: Self-insured group health plans

- Calculation of covered lives for a plan offering only self-only coverage

Date for Form 5500 Reporting	Number of covered lives for the date	Number of Dates	Calculation
August 1, 2013	5,000	2	A = 13,000 ÷ 2 A = 6,500 covered lives
July 30, 2014	8,000		
Total	13,000		

Form 5500 Method – 45 CFR 153.405(e)(3)

May be used by: Self-insured group health plans

- Calculation of covered lives for a plan offering self-only and coverage other than self-only coverage

Date for Quarter	Number of covered lives for the date	Calculation
August 1, 2013	6,000	
July 30, 2014	9,000	A = 6,000 + 9,000
Total	15,000	A = 15,000 covered lives

Compliance Standards

- **Acknowledgment:** On Pay.gov, each contributing entity (or TPA or ASO contractor on their behalf) will acknowledge that the information submitted on the ACA Transitional Reinsurance Program Annual Enrollment and Contributions Submission Form is accurate and complete
- **Maintenance of records:** A contributing entity must maintain and make available documents and records, whether paper, electronic, or in other media, sufficient to substantiate the enrollment count submitted pursuant to this section for a period of at least 10 years (See 45 CFR 153.405(h))
- **Audits:** HHS may audit a contributing entity to assess its compliance with the requirements of the transitional reinsurance program (See 45 CFR 153.405(i))

Key Deadlines for the 2014 Benefit Year

Date	Activity	Contribution Amount
No later than November 15, 2014	Submit Annual Enrollment Count	
No later than January 15, 2015	Remit first Contribution Amount	$52.50 per covered life
No later than November 15, 2015	Remit second Contribution Amount	$10.50 per covered life
	Total	$63.00 per covered life

Counting Methods Operational Guidance

- CCIIO intends to publish an Operational Guidance document posted on REGTAP that summarizes the counting methods and explains which methods are available to contributing entities

- Once available, to access the document, go to: https://www.REGTAP.info/
  - Select Library and then Filter by: Reinsurance-Contributions

What can you do…

- **NOW**
  - Review your REGTAP emails for updates
  - Submit questions via REGTAP using “Submit an Inquiry” and note the “Reinsurance” Program in your question text
  - Register on Pay.gov
  - Monitor the CCIIO web page
- **LATER**
  - Review the counting methods Supporting Document on REGTAP
  - Attend future webinars
  - Complete the reinsurance contributions process

Upcoming Webinars

Topic	Tentative Date
Submission of Annual Enrollment and Contributions Through Pay.gov.	July 28, July 30, and August 6, 2014 2:00 – 3:30 p.m. ET

Additional webinars and user groups will be held this summer through November 2014.

Questions?

To submit questions by phone:

- ❑ dial ‘14’ on your phone’s keypad
- ❑ dial ‘13’ to exit the phone queue

To submit questions by webinar:

- ❑ type your question in the text box under the ‘QA’ tab

Resources

WWW.REGTAP.INFO

Regulatory References

This list of regulatory references offers additional information and details on the transitional reinsurance program.

- Standards Related to Reinsurance, Risk Corridors and Risk Adjustment (77 FR 17220) provided a regulatory framework
  - http://www.gpo.gov/fdsys/pkg/FR-2012-03-23/pdf/2012-6594.pdf
- HHS Notice of Benefit and Payment Parameters for 2014 (78 FR 15410)
  - http://www.gpo.gov/fdsys/pkg/FR-2013-03-11/pdf/2013-04902.pdf
- Program Integrity: Exchange, Premium Stabilization Programs, and Market Standards (78 FR 65046) established oversight standards
  - http://www.gpo.gov/fdsys/pkg/FR-2013-10-30/pdf/2013-25326.pdf
- HHS Notice of Benefit and Payment Parameters for 2015 (78 FR 13744) provided a split collection process
  - http://www.gpo.gov/fdsys/pkg/FR-2014-03-11/pdf/2014-05052.pdf
- Exchange and Insurance Market Standards for 2015 and Beyond (79 FR 30240)
  - http://www.gpo.gov/fdsys/pkg/FR-2014-05-27/pdf/2014-11657.pdf

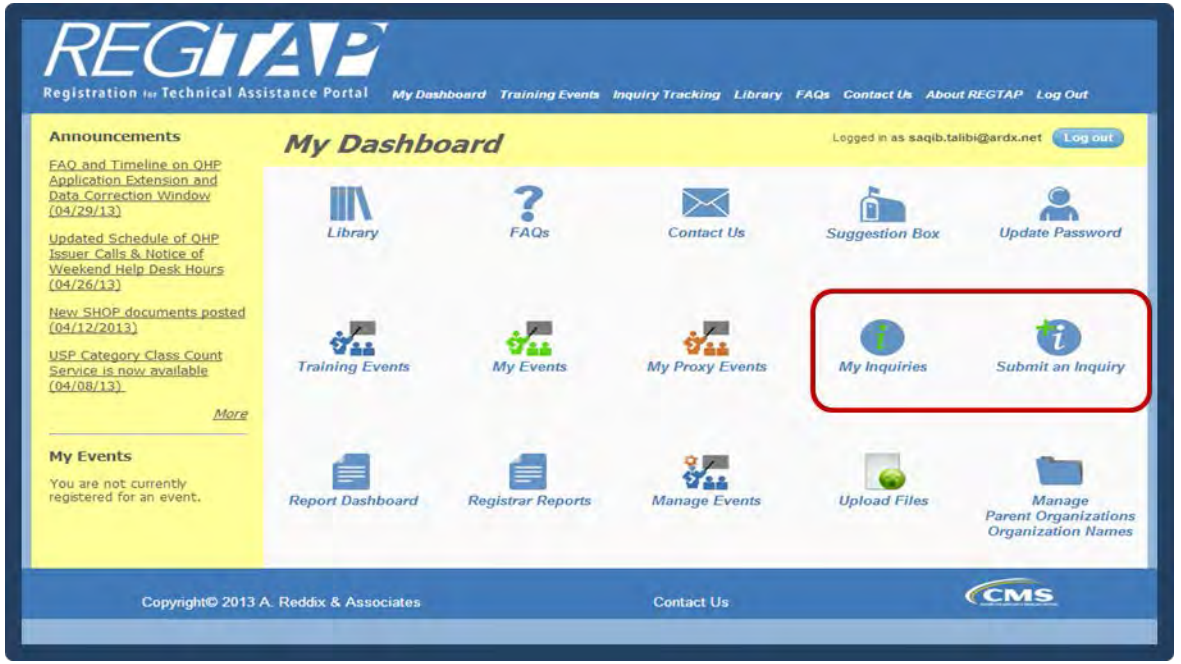
Resources

Resource	Link/Contact Information
U.S. Department of Health & Human Services	http://www.hhs.gov/
Centers for Medicare & Medicaid Services (CMS)	http://www.cms.gov/
The Center for Consumer Information & Insurance Oversight (CCIIO) web page	http://www.cms.gov/cciio
Registration for Technical Assistance Portal (REGTAP) - presentations, FAQs	https://www.REGTAP.info
Registration and Form on Pay.gov	https://pay.gov/paygov/
The Transitional Reinsurance Program – Reinsurance Contributions Webpage	http://www.cms.gov/CCIIO/Programs-and-Initiatives/Premium-Stabilization-Programs/The-Transitional-Reinsurance-Program/Reinsurance-Contributions.html

Inquiry Tracking and Management System (ITMS)

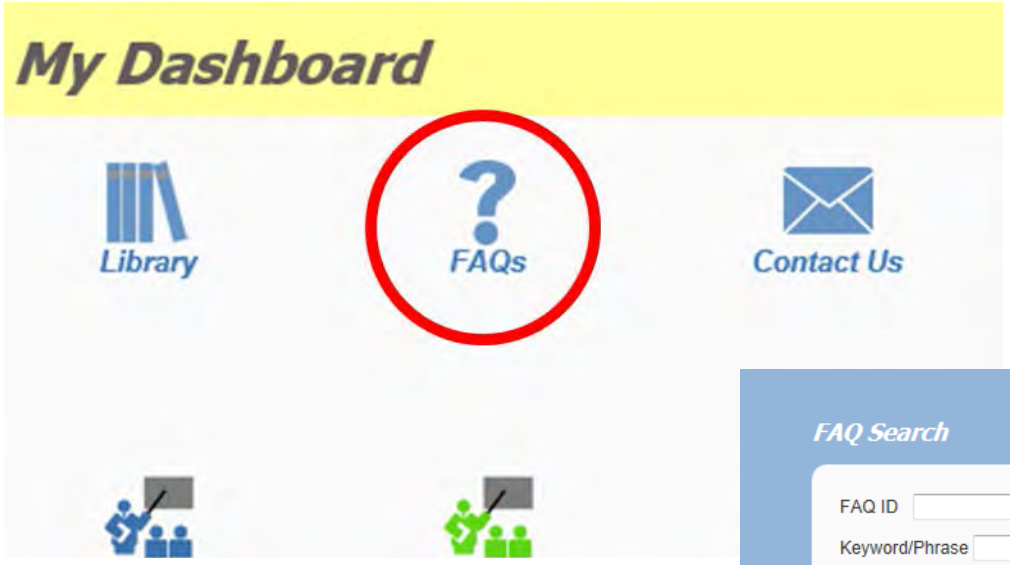
ITMS is available at http://www.REGTAP.info

Users can submit questions after the User Group by selecting “Submit an Inquiry” from My Dashboard.



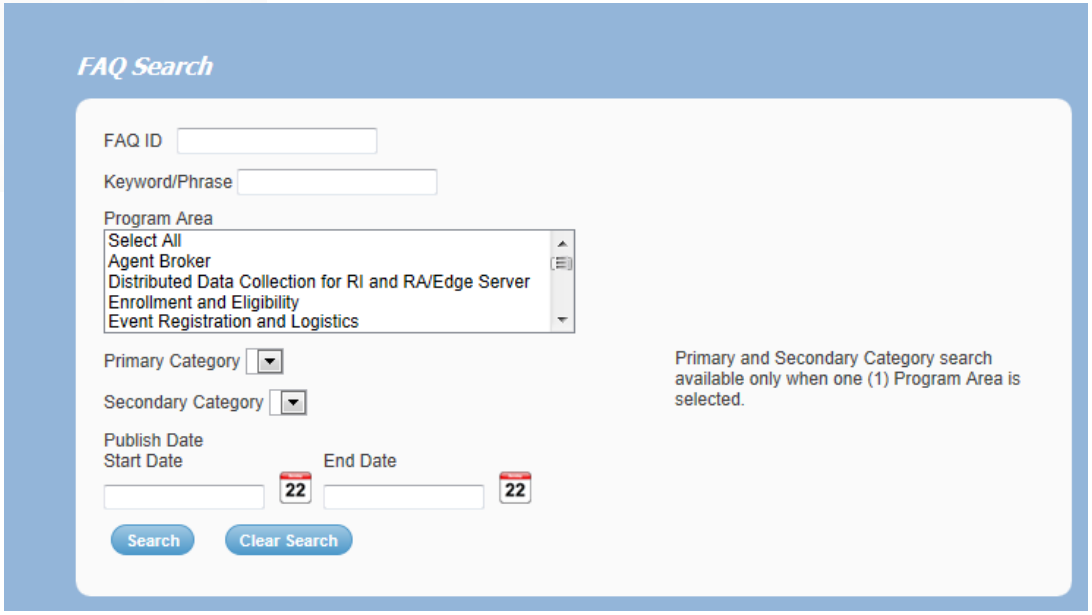
Note: Enter only one (1) question per submission.

FAQ Database on REGTAP



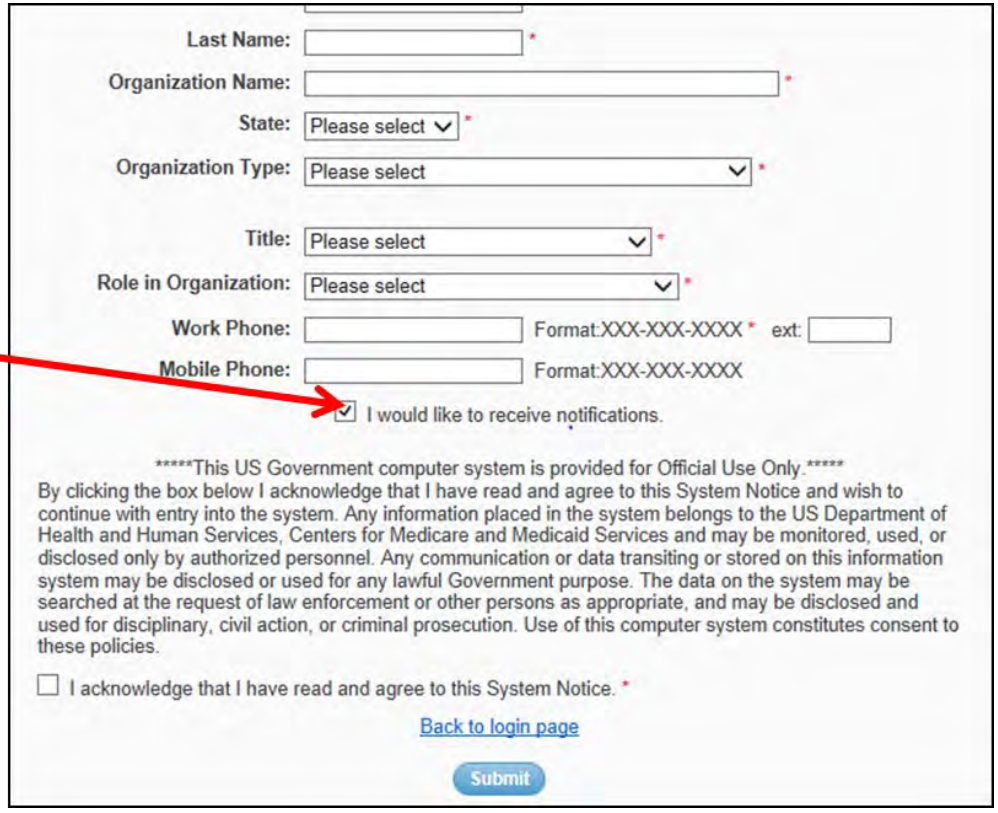
The FAQ Database allows users to search FAQs by FAQ ID, Keyword/Phrase, Program Area, Primary and Secondary categories and Publish Date.

FAQ Database is available at http://www.REGTAP.info



Notifications Opt In/Opt Out

Users have the option to opt in or opt out of receiving notifications when first registering in REGTAP by checking or unchecking the box for *"I would like to receive notifications."*



After initial registration, contact the Registrar at registrar@REGTAP.info, call (800) 257-9520, or submit an inquiry to https://www.REGTAP.info/ to change notification preference.

Closing Remarks