

# Reinsurance - Overview & HHS-Operated Reinsurance

DEPARTMENT OF HEALTH AND HUMAN SERVICES  
CENTERS for MEDICARE & MEDICAID SERVICES  
Center for Consumer Information and Insurance Oversight

Health Insurance Exchange System-Wide Meeting  
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# Agenda

- General Reinsurance Program Overview
- State Options for Reinsurance
- HHS-Operated Reinsurance Program
- Timeline and Key Dates
- Resources and Contacts

# Reinsurance Program Overview

The transitional reinsurance program is a temporary State-based program established under the Affordable Care Act

- Operates from 2014 through 2016
- Stabilize premiums by partially offsetting claims for high-cost individuals in non-grandfathered individual market plans
- May be operated by a State or HHS

# Reinsurance Program Overview: Who is Effected

## States:

- Must establish State reinsurance program or defer operations to HHS

## Issuers:

- All issuers, self-insured plans, and third party administrators on behalf of self-insured plans, must make contributions
- Non-grandfathered, individual market plans are eligible for payments

# Reinsurance Program Overview: Reinsurance Contributions

## Statutory National Annual Reinsurance Contributions\*

Program Year	Reinsurance Payments	General Fund of US Treasury**	Total Contributions
2014	\$ 10 billion	\$ 2 billion	\$ 12 billion
2015	\$ 6 billion	\$ 2 billion	\$ 8 billion
2016	\$ 4 billion	\$ 1 billion	\$ 5 billion

\*Contributions collected in a State will remain in that State

\*\*Amount equal to the cost of the Early Retiree Reinsurance Program

# Reinsurance Program Overview: Reinsurance Contributions

## Final Rule Announced

- Per capita contribution rate
  - National per capita rate to be proposed in the draft annual HHS notice of benefit and payment parameters

## Future Guidance Will Propose

- Contributions = (Quarterly # of enrollees) x (Contribution rate)
  - Quarterly number of enrollees = Estimated # of member months for all covered lives

# Reinsurance Program Overview: Contribution Collections

- HHS will:
  - Begin collections on January 15, 2014
  - Collect contributions from the self-insured market, and fully insured market at State option.
  - Maintain a State-specific reinsurance fund
- Issuers/Plans will:
  - Calculate the contribution owed for each State
  - Report the total contribution owed for each State

# State Options for Reinsurance

- State fully operates its own reinsurance program
  - HHS will still collect contributions from the self-insured market
  - State-operated program performs all other functions
- State operates its own reinsurance program with HHS support
  - Defer all collection responsibility to HHS
  - State reinsurance entity will perform all payment functions
- In the event HHS operates the reinsurance program a State's behalf
  - HHS will collect all contributions and perform payment functions

# HHS-Operated Reinsurance

## Contribution Collections

- HHS will collect from the self-insured market
- HHS will collect from the fully insured market
- Collections will begin in January 2014

## Payments

- HHS will make payments to individual market issuers
- HHS will calculate payments based on paid claims
- Payments will begin quarterly in May 2014
- Annual payment reconciliation will begin in 2015

# HHS-Operated Payment Parameters

- Draft HHS notice of benefit and payment parameters
  - Will be published in Fall 2012 for the 2014 benefit year
  - Will propose reinsurance payment parameters including:
    - Attachment Point – Claim cost threshold where reinsurance begins
    - Reinsurance Cap – Claim cost threshold where reinsurance ends
    - Coinsurance Rate – Rate applied to claims costs above the attachment point and below the reinsurance cap

# HHS-Operated Payments

- HHS will make payments throughout the benefit year
  - Quarterly Payments: Beginning in May 2014
  - Annual Reconciliation: In 2015
- Payments will be based on paid claims for covered benefits
- Payments will be prorated based on received contributions
  - Designed to ensure payments do not exceed available funds
- Excess funds will be carried over to the following year and will remain in State-specific accounts

# HHS-Operated Payments

## Quarterly Reinsurance Payment Process

- A quarterly withhold will be applied to issuer payments
  - Holdback will be allocated towards the annual reconciliation
  - Calculated reinsurance payments left after the withhold and outstanding balances from the previous processing quarter(s) will be considered for the quarterly payment
  - Quarterly payments will be made at the issuer level, based on State license

# HHS-Operated Payments

Calculated reinsurance payments will be prorated as follows:

- If Contributions are greater than the sum of all calculated reinsurance payments, then the proration percentage will be 100%
- If Contributions are less than the sum of all calculated reinsurance payments, then the calculated reinsurance payments will be prorated
  - Proration % =  $\frac{\text{Available contributions from reinsurance contributions}}{\text{Sum of all of calculated reinsurance payments}}$

# HHS-Operated Payments

- Annual Reconciliation includes:
  - Withholds accumulated during the benefit year and
  - Any outstanding quarterly issuer balances
- Withholds and outstanding quarterly balances for the year will be:
  - Aggregated by issuer and State
  - Prorated against the available reinsurance funds by State

# HHS-Operated Program Timeline

Premium Stabilization  
Final Rule

- **March 23, 2012**

Draft Notice

- **Fall 2012** - Includes State-specific reinsurance parameters.

Final Notice

- **January 2013**

Collection of Reinsurance  
Contributions

- Commences **January 15, 2014** and continues quarterly.

HHS-Operated Program  
Reinsurance Payments

- Commences **Spring 2014** and continues quarterly.

# HHS-Operated Reinsurance Program: Key Takeaways

- ❑ Reinsurance program is a temporary program (2014-2016)
- ❑ All health insurance issuers and self-insured plans must make contributions
- ❑ Only non-grandfathered individual market plans are eligible for payments
- ❑ The State can choose to operate its own reinsurance program or have HHS operate the program on its behalf
- ❑ Any contributions collected for a particular State will only be used towards reinsurance payments in that State
- ❑ The HHS-operated payment process is designed to ensure payments do not exceed available funds from collected contributions

# Resources for Additional Information:

## Final Rule

Standards Related to Reinsurance, Risk Corridors, and Risk Adjustment

See: <http://www.gpo.gov/fdsys/pkg/FR-2012-03-23/pdf/2012-6594.pdf>

# Resources for Additional Information:

## CCIIO Contacts

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