

# REINSURANCE FEE FACT SHEET



## INFORMED ON REFORM

### Overview

This is one of several new fees intended to help fund implementation of the Patient Protection and Affordable Care Act (PPACA).

This fee on health plans totals \$25 billion, which will be collected over the three-year period from 2014 through 2016. The majority of the money will be used to fund a reinsurance program, which is intended to lessen the impact of adverse selection in the individual market. The fee applies to both insured and self-funded commercial major medical plans effective January 1, 2014.

	REINSURANCE FEE
<b>What it is</b>	Annual fee on insured and self-funded health plans from 2014-2016
<b>Purpose</b>	Fund reinsurance program to help lessen impact of adverse selection in the individual market
<b>Amount</b>	<ul style="list-style-type: none"> <li>• \$12 billion in 2014</li> <li>• \$8 billion in 2015</li> <li>• \$5 billion in 2016</li> </ul>
<b>Who pays</b>	<ul style="list-style-type: none"> <li>• <b>Insured:</b> Insurers</li> <li>• <b>Self-funded:</b> Employers</li> </ul>
<b>Tax implications</b>	Tax deductible
<b>Estimated cost impact</b>	<ul style="list-style-type: none"> <li>• <b>2015:</b> \$44 PMPY, due in 2016                             <ul style="list-style-type: none"> <li>- If paid in two installments, then the contribution amounts are \$33.00 and \$11.00, respectively.</li> </ul> </li> <li>• <b>2016:</b> \$27 PMPY, due in 2017                             <ul style="list-style-type: none"> <li>- If paid in two installments, then the contribution amounts are \$21.60 and \$5.40, respectively.</li> </ul> </li> </ul>
<b>Business affected</b>	<ul style="list-style-type: none"> <li>• Insured individual and group major medical plans</li> <li>• Self-funded group major medical plans</li> <li>• Taft-Hartley Plans to the extent the plans meet the other criteria for inclusion</li> <li>• Group retiree medical plans covering individuals who are not eligible for Medicare or for whom Medicare is the secondary payer                             <ul style="list-style-type: none"> <li>- Active employees age 65+</li> <li>- Pre-65 retirees</li> </ul> </li> <li>• Medical plans that are integrated with a Health Reimbursement Account (HRA)</li> <li>• Short-Term Abroad (STA) expatriate plans</li> <li>• Self-funded expatriate plans (in 2014 only)</li> </ul>

REINSURANCE FEE	
<b>Business excluded</b>	<ul style="list-style-type: none"> <li>• Standalone pharmacy and behavioral health plans</li> <li>• Standalone dental and vision plans</li> <li>• Hospital indemnity and specified disease plans</li> <li>• Private Medicare, Medicaid, CHIP, state and federal high-risk pools and basic health plans</li> <li>• Coverage for post-65 retirees and disabled individuals where Medicare is the primary payer</li> <li>• Health Savings Accounts (HSAs)</li> <li>• Flexible Spending Accounts (FSAs)</li> <li>• Employee Assistance Plans (EAPs), disease management programs and wellness programs</li> <li>• Stop-loss and indemnity reinsurance policies</li> <li>• Military health benefits</li> <li>• Indian Health Service coverage</li> <li>• Insured expatriate coverage</li> <li>• Self-funded expatriate plans (in 2015 and 2016)</li> </ul>

### Timing considerations:

DEADLINE	ACTIVITY
<b>November 15, 2016</b>	If you chose to pay the Reinsurance Fee in installments, pay remaining installment of \$11 PMPY
<b>November 15, 2016</b>	Submit the ACA Transitional Reinsurance Program Annual Enrollment Contributions form and schedule payment(s) due in 2017
<b>January 17, 2017</b>	Pay either the full Reinsurance Fee of \$27 PMPY or the first installment of \$21.60 PMPY
<b>November 15, 2017</b>	If you chose to pay the Reinsurance Fee in installments, pay remaining installment of \$5.40 PMPY

\* Self-funded employers must report the number of covered lives to the Department of Health and Human Services by November 15th each year or by the next business day if the 15th is not a business day.

### Frequently asked questions

#### Q How is the average number of covered lives determined for the reinsurance fee?

**A** The regulations provide several methods for determining the average number of covered lives. Cigna will only use the snapshot method for our insured business and for the reports we provide to self-funded employers.

Please note, when determining the average number of covered lives for the reinsurance fee, the annual covered lives counts will be based on the first nine months of the calendar year, regardless of when the employer’s plan year begins.

Self-funded employers that became self-funded on or after October 1 of the reporting year will have no membership to report. Therefore, they will have no reporting obligation and will not be required to register on [www.pay.gov](http://www.pay.gov). This does not apply when a self-funded employer changes third-party administrator to Cigna.

#### Q What are covered lives?

**A** Covered lives are all covered individuals, both employees and their dependents. For example, an employee who has family coverage including a spouse and two children would be counted as four covered lives.

## Q How does the snapshot method work?

**A** Under the snapshot method, the average number of covered lives is determined by counting the total number of lives on a “snapshot” date for the first nine months of the year and dividing that total by nine. Cigna has chosen to use the 15th of each month for the first nine months of the year (January - September) as its snapshot date. The fee is determined by multiplying the average number of covered lives by the annual fee amount, which may be split into two installments, **or paid all at once**, if the employer or insurer chooses to do so.

Here is an example of the snapshot method in the instance where the fee is being paid in two installments for the 2016 payment:

Jan 15	+	Feb 15	+	March 15	+	April 15	+	May 15	+	June 15	+	July 15	+	Aug 15	+	Sept 15		÷ 9	=	average covered lives	
100	+	100	+	105	+	105	+	110	+	112	+	106	+	103	+	100	=	941	÷ 9	=	104.56 average covered lives
																	<b>104.56 x \$27 per person = \$2,823.12 total fee</b>				
1st Installment: 104.56 x \$21.60 per person = \$2,258.50										2nd Installment: 104.56 x \$5.40 per person = \$564.62											

## Q What if a self-funded employer wants to use a different method than the snapshot method to calculate its average covered lives?

**A** Self-funded employers can use any of the approved methods to determine their average number of covered lives. If employers want to use a method other than the snapshot method, Cigna will not be able to provide membership reports to support the calculation.

## Q What is the process self-funded employers must follow to pay the reinsurance fee?

**A** There is a streamlined membership and contribution process through [www.pay.gov](http://www.pay.gov). Pay.gov is a secure, web-based application that serves as the portal where employers can report and submit the required membership data elements. Registration on pay.gov is required in order to complete the reinsurance process.

As part of the membership and contribution process, a contributing entity, e.g. the employer or insurer making the contribution, can begin to collect the data, calculate their annual enrollment count and prepare the supporting documentation.

Additionally, a reporting entity will need to complete the following steps:

1. Register on pay.gov or confirm your password if you registered for the previous benefit year of the program.
2. Access and complete the form on pay.gov, titled “ACA Transitional Reinsurance Program Annual Enrollment and Contributions Submission Form.” To access the form, [click here](#).
3. Upload the [supporting documentation](#) only when reporting 4 or more contributing entities.
4. Enter payment information (e.g. payment date and banking information).
5. Self-funded employers should also contact their bank to have the ALC+2 value added to allow for automatic debits.

## Q Who is required to file the Supporting Documentation CSV (Comma Separated Value) file?

**A** Supporting Documentation is required when reporting for four or more Contributing Entities and must be submitted with the Form in .CSV file format.

Supporting Documentation is not required when reporting for three (3) or fewer Contributing Entities.

Refer to the Supporting Documentation Job Aid Manual that has been posted to the Reinsurance Toolkit for help on how to navigate the layout requirements and creation of a CSV file for upload and acceptance into HHS’ system.

## Q What resources are available for self-funded employers?

**A** While Cigna cannot complete the process on behalf of self-funded employers, we can support you in the following ways:

- Help to understand the process and responsibilities to pay the reinsurance fee.
- Provide resources and client service representatives to answer questions.
- Supply the membership information needed to report and calculate the fee using the snapshot method.

The membership reports are available by October 15th each year and will be provided at no additional cost. The reports will be available on existing portals: [CignaAccess.com](https://CignaAccess.com) and the [Client Resource Portal](#) (CRP). Please note, our membership reports are not intended to be uploaded into [www.pay.gov](http://www.pay.gov) as part of the submission process. Rather, they are intended to provide the average covered lives count to assist with the submission process.

To help you to navigate our membership reports, Cigna has also developed [ASO Membership Reporting Training materials](#) to assist with the eligibility data needed for the average covered lives calculation required for the reinsurance fee. The training will guide you through accessing the self-service reports based on the appropriate portal for your plans/policies.

Please be sure to visit the [Reinsurance Fee Toolkit](#).

Brokers and self-funded employers should direct questions about the Reinsurance Fee to Cigna's expanded ASO PPACA Fees & Reporting Resources by calling 1-855-275-0555, from 9:00 a.m.–7:00 p.m. EST Monday through Friday, or via email at [ASO\\_PPACA\\_Fees&Reporting@Cigna.com](mailto:ASO_PPACA_Fees&Reporting@Cigna.com).

**IMPORTANT: Questions about other PPACA topics should continue to be directed to your Cigna representative.**

