



April 2014

Re: Reinsurance Fees Applicable to All Health Plans

Dear Friend of KBA,

We are continuing to keep you informed on new developments under the Affordable Care Act (“ACA”) with a report on one of the latest regulations on Transitional Reinsurance Program fees. The fees are designed to stabilize fully insured health premiums in the Health Care Exchanges for coverage in the individual market from 2014 to 2016. The fee applies to all major medical health benefit programs and requires contributions by health insurers and self-funded group health plans.

The requirement to pay the fee will be assessed on fully insured plans for major medical coverage, and insurers are liable for paying the contributions. The cost will be added to the cost of coverage by the insurers. Major medical self-funded plans are liable for the contribution as well, although a third party administrator like KBA can be used to remit the contributions on the plan’s behalf. HHS will collect all the fees, rather than each state as previously proposed. This is notable because where states operate their own reinsurance program they were originally going to collect the fees themselves.

Of special note is that the reinsurance fee will NOT be payable on self-funded programs that only offer Minimum Essential Coverage.

The Department of Health and Human Services (HHS) released its final Transitional Reinsurance Program rule in March. The rule addresses the fees payable in benefit years 2014-16. The fee is \$63 for 2014 and \$44 for 2015 per covered life (employee and dependents).

Employers must submit their covered life counts for 2014 to HHS by November 15, 2014. HHS will then notify each employer by December 15, 2014 of the amount it will owe. Following the billing, the \$63 fee for the 2014 benefit year will be paid by the employer in two installments as follows; \$52.50 in January 2015 and \$10.50 late in the fourth quarter of 2015. KBA will be providing information to you on how the number of covered lives will be calculated and help you in the payment process.

One question we have had is whether the employer can add the cost of the fee to the benefit plan contributions made by an employee. The answer is YES. The fee (\$5.25 per month, \$63 total for 2014) can be added to the contributions made by employees. The increased amount is excluded from the employee’s income and wages for tax purposes.

Stay tuned for additional ACA updates.

Sincerely yours,

Wallace T. Gray, JD, MBA
General Counsel