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Reinsurance Fee

WHAT IS THE REINSURANCE FEE?

The reinsurance fee is a transitional fee assessed on health insurers and sponsors of self-funded plans to help stabilize insurance premiums in the individual health insurance marketplace in anticipation of a large influx of high-risk individuals.

WHEN DOES THE REINSURANCE FEE GO INTO EFFECT?

The fee goes into effect January 1, 2014. The fee will be levied for three years – 2014 through 2016.

HOW MUCH IS THE REINSURANCE FEE?

The reinsurance fee is \$63.00 *per covered life* for 2014. However, the per-covered-life fee may change in subsequent years.

HOW IS THE REINSURANCE FEE CALCULATED?

The payment is based on the *average number of covered lives* (including plan participants and covered dependents/beneficiaries) for the calendar year. There are several accepted methods for calculating the average number of covered lives:

- **Actual Count Method** — The plan counts the total number of covered lives for each day of the first nine months of the year and divides that number by the total number of days counted.

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Snapshot Methods

- **Snapshot Count Method** — The plan counts the total number of covered lives on at least one date in each quarter of the first three quarters of the year and divides by the number of dates chosen. (The dates in the 2nd and 3rd quarters must correspond to date(s) in the 1st quarter).
- **Snapshot Factor Method** — Similar to the Snapshot Count Method, except that covered lives, on any date, would be equal to the sum of: a) the total number of employees with single coverage; plus b) the total number of employees with coverage other than single coverage multiplied by 2.35. This method may be advantageous for group plans with a high member-to-employee ratio for employees enrolled in coverage other than single coverage.
- **Form 5500 Method** — This method is based on the participant count reported on Form 5500, adjusted to account for all covered lives (plan participants and covered dependents/beneficiaries).

WHICH COUNTING METHOD WILL RESULT IN THE LOWEST FEE CALCULATION?

There is no single method that yields the best calculation for all organizations. There are several scenarios that can be analyzed using a variety of permitted methods and dates to determine the lowest fee calculation.

WHAT ARE THE REPORTING REQUIREMENTS? WHEN IS THE FEE DUE?

Self-funded plan sponsors and health insurers are required to report the average number of covered lives to Health & Human Services (HHS) by November 15 of each year (2014, 2015, and 2016). HHS will calculate the fee based on the reported number of covered lives and notify the plan sponsor or health insurer of their liability within 15 days of receiving the report or by December 15, whichever is later. The plan sponsor or health insurer is required to remit payment within 30 days of receiving the notification.

WHO IS RESPONSIBLE FOR PAYING THE FEE?

Health insurers and plan sponsors of self-funded plans are responsible for paying the reinsurance fee. Plan sponsors should begin considering potential reinsurance fees in their budget for 2014.



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WHAT IS THE ROLE OF INDEPENDENCE ADMINISTRATORS?

In April 2013 Independence Administrators expanded its standard monthly reporting package to deliver a separate report showing the number of covered lives (based on information provided by the client) on each day of the month, for a rolling 12-month period for each plan we administer on the customer's behalf.

This new report of daily covered lives can help our customers choose the counting method they prefer (Actual or Snapshot method) to calculate their average number of covered lives. However, the customer ultimately decides which method to use.

HOW CAN INDEPENDENCE ADMINISTRATORS HELP?

Independence Administrators will be offering a reinsurance fee calculation service to help self-funded plans and their benefits consultants budget for the expense. The service will include an analysis of the most advantageous calculation method for each plan. Additional details will be available in coming weeks.

To learn more about how Independence Administrators can support you in complying with the requirements of the Affordable Care Act, or if you have questions about your plan, **please contact your Independence Administrators Account Representative.**

Independence Administrators does not provide legal or tax advice. The final determination of whether the Plan Sponsor meets the requirements of the Affordable Care Act must be made by the Plan Sponsor in consultation with the employer's own legal counsel or tax advisor.

