Top 10 Things You Need To Know About ACA Reinsurance 2016

The deadline for filing your 2016 ACA reinsurance submission form is **less than a month away – November 15, 2016**.

If you're an employer or a plan sponsor with a major medical plan that is self-funded for any portion of the 2016 benefit year (January 1-September 30, 2016), you'll want to check out these **10 important facts about the 2016 ACA reinsurance program and how to comply by the November 15, 2016 deadline**. (If you used an insurance carrier to provide major medical coverage in 2016, your insurance carrier will remit reinsurance contributions on your behalf. Therefore, this Alert may not directly apply to you.)

In general, the reinsurance procedures are similar to the ones from 2015 with a few minor exceptions. For example, the reinsurance contribution amount is $27 per covered life (meaning everyone enrolled in your plan, including plan members and dependents), compared to $44 last year. Also, two different individuals will need to be identified as the billing contact and the form submission contact on the reinsurance form for 2016.

1. This is the final year reinsurance contributions are required.

And, the contribution is a tax-deductible business expense, too.

2. Contributing entities are required to make reinsurance contributions for major medical coverage.

Contributing entities are defined as health insurance issuers, or carriers, and self-funded group health plans **that use a third-party administrator** ("TPA") for enrollment, appeals adjudication or to pay claims for services (other than prescription benefits and other excepted benefits). Self-funded, self-administered plans are not required to make reinsurance contributions for the 2016 benefit year. TPAs and ASO contractors are permitted but not required to file and pay reinsurance contributions on behalf of their self-funded clients (also referred to as the "reporting entities"). TPAs may also provide the enrollment count to plan sponsors.

3. Major medical coverage is defined as health coverage for a broad range of services and treatments provided in various settings that provides MEC.

The plan's MEC status may be found in the 2016 Summary of Benefits and Coverage for that individual healthcare plan.

4. The total 2016 reinsurance contribution amount is equal to $27 times the 2016 enrollment count under self-funded major medical plans.

The enrollment count is the number of covered lives, including dependents. When a medical program consists of self-funded and insured benefit options (i.e., a self-funded PPO and insured HMO), reinsurance contributions are only required for those enrolled in self-funded options.

5. Enrollment count may be determined using any one of the methods used to calculate covered lives for the Patient Centered Outcomes Research Institute (PCORI) fee with some slight modifications.

The three PCORI methods that plan sponsors may choose from are the actual count, a snapshot count, and the snapshot factor method. The biggest difference though is that the reinsurance enrollment count is determined over the **first nine months of the calendar year**. PCORI generally uses the 12-month plan year, and the result is rounded to the nearest hundredth. Plan sponsors may also use the 5500 method based on the enrollment information that was reported on the last

Form 5500 filed with the Department of Labor. The count for all self-funded benefit options from which employees may elect coverage (i.e., self-funded PPO and self-funded POS) may be combined using the same enrollment count method. Plan sponsors aren't bound to use the same enrollment count method every year nor for determining the PCORI fee.

Here's an example of how an employer with a self-funded plan for a portion of 2016 could determine their enrollment count.

An employer offers major medical coverage to employees. At the May 1, 2016, renewal, the employer begins to self-fund the coverage that was previously offered under an insured arrangement. Therefore, the employer must calculate and pay 2016 reinsurance contributions.

Let's say the employer choses the snapshot factor method to determine the enrollment count. He or she selects the first day in the second month of each quarter to calculate the count. When choosing a calculation date, the dates must include a period in the second quarter that includes covered lives under the self-funded arrangement. The plan sponsor may prorate the lives in the quarter when the plan begins to be self-funded. The math looks like this:

February 1, 2016:	Zero (because the plan was covered by a contract of insurance, which means the carrier is responsible for reinsurance contributions for January 1-April 30, 2016)
May 1, 2016:	100 employees with single coverage; 250 employees with other coverage levels
	100 + 250 x 2.35 (snapshot factor) = 687.50
Adjustment for partial second quarter	687.50 x 61 ÷ 91 = 460.85 (Reinsurance covered lives for 61 days in the quarter, April 1-June 30, 2016)
August 1, 2016:	110 employees with single coverage; 240 employees with other coverage levels
	110 + 240 x 2.35 = 674.00
2016 Enrollment Count	[0 + 460.85 + 674.00] ÷ 3 = 378.28
2016 Reinsurance Contribution	378.28 x $27 = $10,213.56

6. Only ONE reinsurance contribution is required per covered life.

Plan sponsors may exclude from the enrollment count plan members whose coverage under the major medical plan is secondary to other coverage. How this adjustment is made depends on the method used to determine the enrollment count.

7. The process for registering and paying can be completed entirely through Pay.Gov again this year.

Plan sponsors will need to:

a) First, either register and establish an account on Pay.Gov (if you haven't done this already or if a new individual will be responsible for registering in the 2016 benefit year), or enter the website using the account that was established last year and create a new password if no login has occurred since 2014 or 2015.

b) Complete the contribution form by entering company information, a billing contact, a different form submission contact (someone different from the billing contact), and the enrollment count.

c) Upload the supporting documentation file using .csv format, but this step only needs to be done when filing on behalf of four or more contributing entities (read more about special instructions for formatting your .csv file for submission).

d) Enter payment and bank account information.

e) Schedule the date(s) when the payment(s) will be automatically drawn from the designated bank account, otherwise **the form automatically sets the payment date to one week following the form submission**.

f) You may need to alert your bank to the following automatic ACH debit unblock code: 7505008016; Company Name: USDEPTHHSCMS. Consider how long this unblock process may take when scheduling reinsurance payments.

8. Know the deadlines.

November 15, 2016, is the deadline to submit your 2016 enrollment count electronically, upload the separate documentation file if required, and schedule your reinsurance payment(s). Plan sponsors that choose to make a single reinsurance payment must schedule the payment to be paid no later than **January 17, 2017**. Alternatively, if you choose to pay in two separate installments, they must be scheduled to be paid no later than **January 17, 2017**, for the first installment ($21.60 per covered life) and **November 15, 2017**, for the second installment ($5.40 per covered life). In either case, the plan sponsor must schedule the selected installment payments no later than **November 15, 2016**. The system will calculate your payments based on the enrollment count entered on the form. The contribution form will need to be duplicated when paying the second installment.

REMINDER: The second 2015 reinsurance installment payment of $11.00 per covered life is due no later than November 15, 2016.

9. Certain plans are exempt from reinsurance contribution requirements.

Plans that are exempt from reinsurance contributions include:

a) Excepted benefit plans (such as many stand-alone dental and vision plans, certain health flexible spending accounts (“FSAs”), supplemental and indemnity plans), government plans (Medicare, Medicaid, Tri-Care, etc.), health reimbursement accounts (“HRAs”), health savings accounts (“HSAs”), employee assistance programs (“EAPs”), stop-loss, and prescription-only plans.

b) Insured expatriate health coverage or self-funded expatriate plans where enrollment is limited to participants who reside outside of their home country for at least six months.

c) Dual Medicare/group coverage where Medicare is the primary insurance and the group health plan pays secondary.

d) Retiree medical plans where the retiree medical plan pays secondary to Medicare (over age 65 retirees).

e) Plans for individuals with a primary residence in a U.S. territory that does not operate the transitional reinsurance program.

10. Plan records must be maintained for 10 years, because audits are possible and penalties could apply.

Plan sponsors must keep documentation of how the enrollment count was determined.

The Centers for Medicare & Medicaid Services provide more information about the reinsurance program. Or, feel free to reach out to Cherry Bekaert Benefits Consulting to get answers to your specific questions.

ADDITIONAL INFORMATION

Information contained in this Update is not intended to render tax or legal advice. Employers should consult with qualified legal and/or tax counsel for guidance with respect to matters of law, tax and related regulation. Cherry Bekaert Benefits Consulting, LLC provides comprehensive consulting and administrative services with respect to all forms of employee benefits, risk management, qualified and non-qualified retirement plans, private client services, transaction services, and compensation and human resources.

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