ADMINISTRATIVE ISSUES RELATING TO HEALTH CARE REFORM

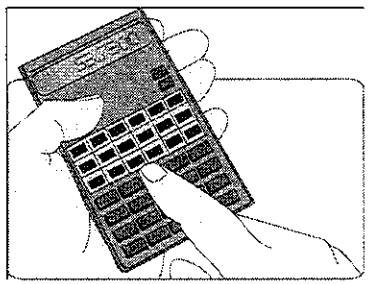
COMPARATIVE RESEARCH EFFECTIVENESS FEES AND TRANSITIONAL REINSURANCE PROGRAM

ADMINISTRATIVE ISSUES RELATING TO HEALTH CARE REFORM:
CER and Transitional Reinsurance Program

- ACA imposes two new temporary fees for group health plans.
  - Comparative Effectiveness Research (2012 – 2019)
    - Also referred to as "Patient Centered Outcome Research Institute (PCORI)"
  - Transitional ("Temporary") Reinsurance Program (2014 – 2016)

ADMINISTRATIVE ISSUES RELATING TO HEALTH CARE REFORM:
CER Fee

- Comparative Effectiveness Research (CER) Fee – to be paid by both health insurers and self-funded plans (employer or plan sponsor), with limited exceptions.
  - For plan years ending after 9/30/12 - $1 per covered life (actives **and** dependents).
  - For plan years ending after 9/30/13 - $2 per covered life .
  - Indexed thereafter based on any increase in the projected per capita amount of National Health Expenditures as published by HHS.
  - To be phased out by 2019.



ADMINISTRATIVE ISSUES RELATING TO HEALTH CARE REFORM: CER FEE

- To be used to fund the Patient Centered Outcome Research Institute at HHS to provide information regarding the effectiveness, risks and benefits of various medical treatments.
- IRS requested public comments regarding fee determination and payment process. Notice 2011-35.
- Proposed regulations were issued on April 12, 2012 and contains more information on calculation, reporting and payment. Comments are due by July 15, 2012. Public hearing on August 8, 2012. Final regulations issued December 6, 2012.
- Form 720, "Quarterly Federal Excise Tax Return". Filed annually. Must have an EIN to file.

ADMINISTRATIVE ISSUES RELATING TO HEALTH CARE REFORM: CER FEE

- Form 720, "Quarterly Federal Excise Tax Return". Filed annually. Must have an EIN to file.
  - Question:
    - Who will file? Auditor? Additional fees? New engagement letter or contract addendum?

ADMINISTRATIVE ISSUES RELATING TO HEALTH CARE REFORM: CER FEE

- When to file:
  - Calendar Year Plan – July 31, 2013.
  - Fiscal Year Plan (ex: Aug 2012 – July 2013) – July 31, 2014.
- Who is responsible:
  - Joint Board of Multiemployer Funds.
  - Insurer for fully insured plans.
  - If Plan Sponsor has one self-funded medical and one self-funded Rx plan, for the same members, they only pay one fee.
  - FSA are exempt.

ADMINISTRATIVE ISSUES RELATING TO HEALTH CARE REFORM: CER FEE

- Fee Calculation Methodologies (average # of lives for Plan Year):
  - Actual Count Method: Add the total number of covered lives for each day of the policy year and divide by the number of days in the policy year.
  - Snapshot Method: Add the totals of lives covered on one date in each quarter of the policy year (or more dates if an equal number of dates is used for each quarter) and divide by number of dates on which a count was made. The date(s) for each quarter must be the same (e.g., 1st day of quarter, last day of quarter, or 1st day of each month).

ADMINISTRATIVE ISSUES RELATING TO HEALTH CARE REFORM: CER FEE

- Fee Calculation Methodologies:

  - <u>Form 5500 Method</u>:
    - Use the count if filed by July 31st.
    - Take beginning of plan year count plus end of year count and divide by 2.

    Note: Form 5500 does not include dependents.

    Can use different method each year of filing.

ADMINISTRATIVE ISSUES RELATING TO HEALTH CARE REFORM:
Transitional Reinsurance Program

- Transitional (Temporary) Reinsurance Program
  - Beginning in 2014 through 2016.
  - A "contribution" in an amount to be determined by HHS.
    - $10 billion for 2014 + $2 billion (general revenues).
    - $6 billion for 2015 + 2 billion (general revenues).
    - $4 billion for 2016 + $1 billion (general revenues).
      - ***States may impose additional "supplemental" contribution requirements to fund administration expenses.***

ADMINISTRATIVE ISSUES RELATING TO HEALTH CARE REFORM:
Transitional Reinsurance Program

- Purpose
  - To help ensure the financial stability of the individual insurance market as further reforms go into effect and the exchanges become operational.
  - One of three risk-spreading mechanisms in ACA to mitigate the potential impact of adverse selection and provide stability for insurers in the individual and small group market.

ADMINISTRATIVE ISSUES RELATING TO HEALTH CARE REFORM: Transitional Reinsurance Program

- Payment Process:
  - Report number of enrollees by November 15th, 2014 (15 and 16) to HHS.
    - *Enrollee – includes members **and** dependents. Members with Medicare primary are excluded.*
  - HHS will notify Plan of fees due by December 15th.
  - Plan must pay within 30 days.
  - $63 per enrollee per year.

  - Contributing Entities:
    - Health Insurers or Self-Insured plans that provide **MAJOR MEDICAL** benefits.

ADMINISTRATIVE ISSUES RELATING TO HEALTH CARE REFORM: Transitional Reinsurance Program

- Fee calculation methodologies:
  - Mirror CER/PCORI
    - Actual Count Method
    - Snapshot Method
    - Form 5500 Method