

Facts for Employers

Transitional Reinsurance Fees (TRFs)



OVERVIEW: This is a temporary fee, beginning in 2014, to fund a reinsurance pool to help stabilize premiums in the individual health insurance market for those with pre-existing conditions. This annual fee is based on a cost per covered member in employer plans during calendar years 2014 through 2016. The 2014 rate is \$63 per year (\$5.25 per month) per covered life. Health and Human Services (HHS) will collect and pay out reinsurance funds annually; 2015 and 2016 rates are yet to be determined. Details are provided below.

Who is subject to these fees?

Both insured and self-funded employer plans are subject to the annual fee. Although carriers will remit the fee for fully-insured plans, the cost of this fee will ultimately add to the cost of employer sponsored health plans.

May a plan sponsor contract with a Third Party Administrator (TPA) to submit the fees on their behalf?

Yes, unlike the Patient-Centered Outcomes Research Institute (PCORI) fees, a plan sponsor may contract with a TPA to submit the fees on its behalf.

What counting methods¹ are acceptable for self-insured plans?

- **Actual count** – the actual number of covered lives over the first three quarters of the year
- **Snapshot count** – representative dates in each of the first three quarters for counting covered lives
- **Form 5500 method** – participant counts extrapolated to capture all covered lives

Does the fee apply to each employee or are dependents counted as well?

Fees apply per covered life, not just to employees or subscribers—covered spouses and dependents, as well as covered employees, will generate fees. COBRA beneficiaries are included.

Are these fees deductible² for plan sponsors?

Yes, unlike the PCORI fees, plan sponsors may pay the fees from plan assets and deduct them as ordinary and necessary business expenses.

What is the timeframe for collecting and paying out the reinsurance fees?

Plan sponsors and carriers are responsible for reporting their enrollment counts to HHS by November 15 of each year (2014, 2015 & 2016). HHS will provide notice of the amount due within 30 days or by December 15, whichever is later. Payment is then due within 30 days after the date of the HHS notification.

Does the fee only apply to health coverage that is major medical coverage?

Yes, the fee applies to a plan that provides major medical coverage. There are several types of health coverage which are not subject to the fee, including:

- Prescription drug coverage
- Health Reimbursement Accounts (HRAs) integrated with other coverage, although the other coverage, such as a high deductible health plan, may equal major medical coverage
- Health Flexible Spending Accounts (Health FSAs)
- Health Savings Accounts (HSAs)
- Employee Assistance Plans (EAPs)
- Coverage that is secondary to Medicare
- Excepted benefits, such as stand-alone vision and dental plans
- Long-Term Care Coverage (LTC)

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1. Please be advised that reinsurance fee counting methods are similar to, but different from the PCORI methods available for calculating average covered lives. The reinsurance fee methods for self-insured plan sponsors are the actual count, snapshot count, snapshot factor and 5500 methods. Again, they are similar, but applied differently than the PCORI fee counting methods.
 2. **See** IRS FAQ here: <http://www.irs.gov/uac/Newsroom/ACA-Section-1341-Transitional-Reinsurance-Program-FAQs>