

# Compliance Alert

## Estimated Cost Impact of the ACA Reinsurance Fee on Employer Plans Alert Date: 5/21/2012

The Department of Health and Human Services (HHS) recently released final regulations regarding the transitional reinsurance program that the Affordable Care Act (ACA) requires each state to establish beginning in 2014. The transitional reinsurance program is intended to help stabilize premiums in the individual market during the first three years that the state-based exchanges are in effect (2014 . 2016).

The ACA requires all health insurance issuers and third-party administrators (TPAs) (on behalf of self-insured group health plans) to contribute to the reinsurance program. Plans that only cover HIPAA-excepted benefits are exempt from the reinsurance contributions.

The total fees to be collected nationwide will equal \$12 billion in 2014, \$8 billion in 2015, and \$5 billion in 2016. The fee will no longer be collected beginning in 2017. The amount that each insurance carrier or TPA must pay will be determined based on all covered enrollees of that organization.

It is important to note that HHS must still develop the exact methodology that will be used to determine the amount of the fee as it applies to any particular state, carrier, or TPA. However, since the total to be collected is fixed by the law, it is possible to estimate the impact the fee may have on a global basis.

We estimate that the cost to employer sponsored plans will be close to 1.0% in 2014, falling to approximately 0.35% in 2016. The total cost will likely be about 0.6% of the entire health insurance market over the three years.

	2014	2015	2016	3 yr Total
<b>Total Estimated Premiums &amp; Self-funded Premium Equivalents (billions)</b>	\$1,262	\$1,338	\$1,418	\$4,018
<b>Total ACA Reinsurance Fees (billions)</b>	\$12	\$8	\$5	\$25
<b>% of Total Market Premiums</b>	0.95%	0.60%	0.35%	0.62%

For employers who sponsor fully-insured plans, the fee will be paid by the health insurance carrier. The TPA will be responsible for paying the required contributions for self-funded plans. Employers who self-administer their own health plan will be responsible to pay the fee directly.

A copy of the final regulations can be found at <http://www.gpo.gov/fdsys/pkg/FR-2012-03-23/pdf/2012-6594.pdf>.

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