Module 2:
2015 Reinsurance Contributions
Counting Methods Overview

August 17, 24, and 31, 2015

Payment Policy & Financial Management Group,
Division of Reinsurance Operations Training Series
Session Guidelines

• This is a 90-minute webinar session
• For questions regarding content, please submit inquiries to: reinsurancecontributions@cms.hhs.gov
• For questions regarding logistics and registration, please contact the Registrar at: (800) 257-9520
Purpose

- Define who is required to make reinsurance contributions for the 2015 benefit year
- Provide an overview of the permitted reinsurance contribution counting methods
- Demonstrate how the 2015 reinsurance contribution amounts are calculated
Agenda

- Who Is Required to Make Reinsurance Contributions
- Counting Methods Overview
- Consistency Requirements and Aggregation
- Calculation of Contribution Amounts
- Key Deadlines for the 2015 Benefit Year
- Next Steps
- Upcoming Webinars
- Resources
Intended Audience

- Health Insurance Issuers
- Plan Sponsors
- Third Party Administrators (TPAs)
- Administrative Services-Only (ASO) Contractors
Who Is Required to Make Contributions for the 2015 Benefit Year?
Contributing Entity generally includes:

- A health insurance issuer; or
- A self-insured group health plan (including a group health plan that is partially self-insured and partially insured, where the health insurance coverage does not constitute major medical coverage) that uses a TPA in connection with claims processing or adjudication (including the management of internal appeals) or plan enrollment for services other than for pharmacy benefits or excepted benefits within the meaning of section 2791(c) of the PHS Act.
Self-Insured Self-Administered Exemption

- For the 2015 and 2016 benefit years, contributions are not required from a self-insured group health plan that **does not** use a TPA in connection with claims processing or claims adjudication (including the management of internal appeals) or plan enrollment.

- However, a self-insured group health plan is permitted to use an unrelated third party for the following without losing its self-administered status:
  - *De minimis* administrative services for medical benefits (5% or less)
  - Leasing of provider networks and related services
Contributions Are Generally Required For...

- Major medical coverage that is part of a commercial book of business
- For the purpose of reinsurance contributions, “major medical coverage” is defined in 45 CFR 153.20 as:
  - A catastrophic plan;
Counting Methods Overview
Introduction to Counting Methods

The applicable counting method depends upon the following:

1) Whether the Contributing Entity is a health insurance issuer or a self-insured group health plan

2) Whether, in the case of a group health plan that is a Contributing Entity, the plan offers more than one coverage option
## Counting Methods for Calculating Reinsurance Covered Lives Counts

*See 45 CFR 153.405 for a description of each counting method*

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<tr>
<th>Counting Method*</th>
<th>Health Insurance Issuers</th>
<th>Self-Insured Group Health Plans</th>
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<tbody>
<tr>
<td>Actual Count</td>
<td>✓</td>
<td>✓</td>
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<tr>
<td>Snapshot Count</td>
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<td>✓</td>
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<tr>
<td>Snapshot Factor</td>
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<tr>
<td>Member Months or State Form</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Form 5500</td>
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<td>✓</td>
</tr>
</tbody>
</table>
Actual Count (45 CFR 153.405(d)(1))

How to Calculate: Add the number of reinsurance covered lives on each day of the month for the first nine (9) months of the benefit year, and divide that total by the number of days in the first nine (9) months.

Applicable to: All Contributing Entities

\[
\text{Sum of lives covered for each day in the first nine (9) months (Jan.-Sept.)} \\
\text{Sum of days in the first nine (9) months of 2015 (273)} \\
= \text{Annual Enrollment Count for Reinsurance Contributions}
\]
Actual Count Full Year Example

Sum of Reinsurance Covered Lives for Each Day of the Month

To calculate the number of reinsurance covered lives in a single month, determine the number of reinsurance covered lives for each day of the month, and add those numbers together.

January = 45,530
Reinsurance Covered Lives

January

1500 1450 1450 1450 1455
1450 1455 1450 1450 1455 1455
1455 1460 1455 1465 1465 1455 1475
1475 1475 1470 1480 1480 1490 1495
1495 1495 1490 1495 1490
Actual Count Full Year Scenario (continued)

- **January**: RI Covered Lives: 45,530, Days in Month: 31
- **February**: RI Covered Lives: 45,000, Days in Month: 28
- **March**: RI Covered Lives: 45,500, Days in Month: 31
- **April**: RI Covered Lives: 45,550, Days in Month: 30
- **May**: RI Covered Lives: 45,600, Days in Month: 31
- **June**: RI Covered Lives: 45,510, Days in Month: 30
- **July**: RI Covered Lives: 45,500, Days in Month: 31
- **August**: RI Covered Lives: 45,550, Days in Month: 31
- **September**: RI Covered Lives: 45,560, Days in Month: 30

**Total Days Jan. – Sept.**: 273

**Total RI Covered Lives**: 409,300

**RI Covered Lives Count**: 1,499,270
Snapshot Count (45 CFR 153.405(d)(2))

**How to Calculate:** Add the number of reinsurance covered lives on any date (or more dates, if an equal number of dates are used for each quarter) during the same corresponding month in each of the first three (3) quarters of the benefit year, and divide that total by the number of dates on which the reinsurance covered lives count was made.

**Applicable to:** All Contributing Entities
Snapshot Count Example

Sum of lives covered on any date during the same corresponding month in each of the first three (3) quarters of the benefit year (e.g. March 1, 2015, June 1, 2015, September 1, 2015). The date(s) used for the second and third quarters must fall within the **same week of the quarter** as the corresponding date(s) used for the first quarter.

Sum of dates on which the reinsurance covered lives count was made (3).

\[ \text{Number of Reinsurance Covered Lives} \]
Snapshot Count Full Year Scenario

Add the number of reinsurance covered lives for each of the dates selected.

- **March**: 1,200 RI Covered Lives
- **June**: 1,300 RI Covered Lives
- **September**: 1,500 RI Covered Lives

- **Total**: 4,000 Reinsurance Covered Lives

Calculate the sum of dates on which the RI covered lives count was made. In this scenario 3 dates were selected.

- **3 Selected Dates**

Divide the total number of RI covered lives by the number of dates (3) to determine the covered lives count.

- **4,000 RI Covered Lives**
- **3 Selected Dates**

- **Result**: 1,333.33 RI Covered Lives Count
Snapshot Factor (45 CFR 153.405(e)(2))

How to Calculate:

Sum of the number of participants with **self-only** coverage covered on any single date during the same corresponding month in each of the first three quarters of the calendar year* +

Sum of the number of participants with **other than self-only lives** coverage on any date during the same corresponding month in each of the first three (3) quarters of the calendar year multiplied by a factor of 2.35

Sum of dates on which the count was made (3)

= Number of Reinsurance Covered Lives

**Applicable to:** Self-insured group health plans and multiple group health plans maintained by the same plan sponsor that do not include an insured plan [see 45 CFR 153.405(e)(2) and (g)(4)(ii)].

*The date(s) used for the second and third quarters must fall within the same week of the quarter as the corresponding date(s) used for the first quarter.
Snapshot Factor Example

Add the number of participants with **self-only coverage** for each of the dates selected in the first three (3) quarters of the year.

- **March**: 1,000 Participants
- **June**: 1,100 Participants
- **September**: 1,175 Participants

Total for Self-Only coverage = 3,275

Add the number of participants with **other than self-only coverage** for each of the dates selected and multiply by a factor of 2.35.

- **March**: 800 Participants
- **June**: 895 Participants
- **September**: 950 Participants

2,645 Participants

2.35 Factor

Total for Other than Self-Only Coverage = 6,215.75

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20
Add the total number of participants with self-only coverage to the total number of participants with other than self-only coverage, multiplied by a factor of 2.35.

3,275.00 (Total Self-Only Participants)  
+ 6,215.75 (Total Other than Self-Only Participants)  
\[ \underline{9,490.75} \quad \text{Summed Total} \]

Divide the summed total by the number of dates (3).

\[ \dfrac{9,490.75 \quad \text{(Summed Total)}}{3 \quad \text{(Selected Dates)}} = \underline{3,163.58} \quad \text{RI Covered Lives Count} \]
Member Months or State Form Method (45 CFR 153.405(d)(3))

How to Calculate:
Average number of policies in effect during the first nine months of the benefit year*

\[
\text{Ratio of covered lives per policy in effect, calculated using the prior year’s National Association of Insurance Commissioners (NAIC) Supplemental Health Care Exhibit (SHCE) or a form filed with the issuer’s State of domicile for the most recent time period}
\]

= Number of Reinsurance Covered Lives

Applicable to: Health insurance issuers

*Calculated using the prior National Association of Insurance Commissioners (NAIC) Supplemental Health Care Exhibit (SHCE) or a form filed with the issuer’s State of domicile for the most recent time period
Add the number of policies in effect for the first nine (9) months (January – September) of the applicable benefit year.

January
Number of Policies in Effect: 5,000

February
Number of Policies in Effect: 5,000

March
Number of Policies in Effect: 4,500

April
Number of Policies in Effect: 4,500

May
Number of Policies in Effect: 4,500

June
Number of Policies in Effect: 4,500

July
Number of Policies in Effect: 4,750

August
Number of Policies in Effect: 5,000

September
Number of Policies in Effect: 5,000

42,750 Policies in Effect
Divide the number of policies (42,750) in effect for the first nine (9) months of the applicable benefit year by the number of months (9) to determine the average number of policies in effect.

\[
\frac{42,750 \text{ (policies in effect)}}{9 \text{ (first nine months of benefit year)}} = 4,750 \text{ Average Policies in Effect}
\]
Member Months or State Form Method Example (continued)

Divide the number of lives from the SHCE (98,875) by the previous year’s number of policies from the SHCE (39,550) to determine the ratio.

\[
\frac{98,875}{39,550} = 2.5
\]

(Ratio of Lives Per Policy in Effect)

Multiply the average number of policies in effect (4,750) by the ratio of lives per policy (2.5).

\[
4,750 \times 2.5 = 11,875
\]

RI Covered Lives Count
Form 5500 Method (45 CFR 153.405(e)(3))

How to Calculate:

A) Self-Only Coverage

\[
\frac{\text{Total participants at the beginning of the plan year}}{2} + \frac{\text{Total participants at the end of the plan year}}{2} = \text{Number of Reinsurance Covered Lives for Self-Only Coverage}
\]

B) Self-Only & Other Coverage

\[
\text{Total participants at the beginning of the plan year} + \text{Total participants at the end of the plan year} = \text{Number of Reinsurance Covered Lives for Self-Only and Other than Self-Only Coverage}
\]

Applicable to: Self-insured group health plans
**Question:** How does a plan with self-only coverage use the Form 5500 method to calculate reinsurance covered lives?

1) When using the Form 5500 method for calculating reinsurance covered lives, plans that are self-only coverage will obtain the total number of participants at the beginning of the plan year from line 5 and the end of the plan year from line 6(d) of Form 5500 (2,500).

2) Divide the total number of lives covered at the beginning and end of the plan year (2,500) by 2.

\[
\frac{2,500}{2} = 1,250
\]

Reinsurance Covered Lives Count
Form 5500 Method Self-Only and Other Than Self-Only Coverage Example

**Question**: How does a plan with self-only and other than self-only coverage use the Form 5500 method to calculate reinsurance covered lives?

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When using the Form 5500 method for calculating reinsurance covered lives, plans that are self-only and other than self-only coverage will obtain the total number of participants at the beginning of the plan year from line 5 and the end of the plan year from line 6(d) of Form 5500 (2,500).

\[
\text{Reinsurance Covered Lives Count} = 2,500
\]
Calculating Reinsurance Covered Lives for Partial Year Coverage
Partial Year Coverage

- A health plan or coverage may be established, terminated, or change funding mechanisms during the first nine (9) months of a benefit year.
- If coverage changes from a fully insured plan to a self-insured plan or self-insured to fully insured during the first nine (9) months of 2015, the following rules apply:
  - The issuer of the fully insured plan would be responsible for paying the per covered life contribution amount for reinsurance contribution enrollees for the portion of the calendar year they are enrolled in the fully insured plan.
  - The self-insured plan would be responsible for paying the per covered life contribution amount for reinsurance contribution enrollees for the portion of the year they are enrolled in the self-insured plan.
- As a result, both plans would be responsible for paying a portion of the fee using one of the permitted counting methods in 45 CFR 153.405(d) and 45 CFR 153.405(e), as applicable, based on the portion of the year these covered lives were enrolled in the self-insured and fully-insured plans.
Actual Count Partial Year Example

**Fully-Insured Calculation**

January
RI Covered Lives: 45,530
Days in Month: 31

February
RI Covered Lives: 45,000
Days in Month: 28

March
RI Covered Lives: 45,500
Days in Month: 31

April
RI Covered Lives: 45,550
Days in Month: 30

May
RI Covered Lives: 45,600
Days in Month: 31

June
RI Covered Lives: 0
Days in Month: 30

July
RI Covered Lives: 0
Days in Month: 31

August
RI Covered Lives: 0
Days in Month: 31

September
RI Covered Lives: 0
Days in Month: 30

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227,180 RI Covered Lives
273 Total Days Jan. – Sept.

832.16
Fully-Insured Reinsurance Covered Lives Count

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Actual Count Partial Year Example (continued)

Self-Insured Calculation

January
RI Covered Lives: 0
Days in Month: 31

February
RI Covered Lives: 0
Days in Month: 28

March
RI Covered Lives: 0
Days in Month: 31

April
RI Covered Lives: 0
Days in Month: 30

May
RI Covered Lives: 0
Days in Month: 31

June
RI Covered Lives: 45,510
Days in Month: 30

July
RI Covered Lives: 45,500
Days in Month: 31

August
RI Covered Lives: 45,550
Days in Month: 31

September
RI Covered Lives: 45,560
Days in Month: 30

182,120 RI Covered Lives
273 Total Days Jan. – Sept.

667.11 Self-Insured Reinsurance Covered Lives Count
A Contributing Entity only has reinsurance covered lives through March 31, 2015.

Calculate the sum of dates on which the RI covered lives count was made. In this scenario 3 dates were selected.

Divide the total number of reinsurance covered lives by the number of dates (3) to determine the reinsurance covered lives count.

\[
\frac{1,600 \text{ (RI Covered Lives)}}{3 \text{ (Selected Dates)}} = 533.33 \text{ RI Covered Lives Count}
\]
Deducting Reinsurance Contribution
Exempted Lives from the Annual Enrollment Count
Reinsurance Contribution Exempted Lives

• For a list of all plans or coverage that are exempt from the requirement to make reinsurance contributions, please see:

   Module 1: Transitional Reinsurance Program Contributions Overview for 2015 Benefit Year available in the REGTAP Library
Deducting Reinsurance Contribution Exempted Lives – Actual Count and Snapshot Count Methods

Actual Count Method (45 CFR 153.405(d)(1))

- Subtract any exempted reinsurance covered lives from the total for each day, \text{prior} to adding the total number of lives covered for each day of the first nine (9) months of the benefit year and then divide that total by the number of days in the first nine (9) months.

Snapshot Count Method (45 CFR 153.405(d)(2))

- Subtract any exempted reinsurance covered lives from the total for each date(s) on which a count is taken in a quarter, \text{prior} to adding the total number of lives covered on any date (or more dates, if an equal number of dates are used for each quarter) during the same corresponding month in each of the first three (3) quarters of the benefit year, and then divide that total by the number of dates on which a count was made.
Deducting Reinsurance Contribution
Exempted Lives – Snapshot Factor Method

Snapshot Factor Method (45 CFR 153.405(e)(2))

• Add the total number of lives covered on any date (or more dates, if an equal number of dates are used for each quarter) during the same corresponding month in each of the first three (3) quarters of the benefit year (provided that the date used for the second and third quarters must fall within the same week of the quarter as the corresponding date used for the first quarter), and dividing that total by the number of dates on which a count was made, except that the number of lives covered on a date is calculated by adding the number of participants with self-only coverage on the date to the product of the number of participants with coverage other than self-only coverage on the date and a factor of 2.35

• Following this determination, subtract from the total number of lives covered the number of exempted reinsurance covered lives
State Form or Member Months Method (45 CFR 153.405(d)(3))

- Determine the average number of policies for the first nine (9) months of the calendar year and multiply that number of policies by the ratio of covered lives per policy in effect, calculated using the prior National Association of Insurance Commissioners (NAIC) Supplemental Health Care Exhibit (or a form filed with the issuer's State of domicile for the most recent time period).

- Following this determination, subtract from the total number of lives covered the number of exempted reinsurance covered lives.
Deducting Reinsurance Contribution Exempted Lives – Form 5500

Form 5500 Method (45 CFR 153.405(e)(3))

• Determine the number of lives covered for the most current plan year calculated based upon the ‘Annual Return/Report of Employee Benefit Plan’ filed with the Department of Labor (Form 5500) for the last applicable time period;
  – For purposes of this method, the number of lives covered for the plan year for a plan offering only self-only coverage equals the sum of the total participants covered at the beginning and end of the plan year, as reported on the Form 5500, divided by two (2), and the number of lives covered for the plan year for a plan offering self-only coverage AND coverage other than self-only coverage equals the sum of the total participants covered at the beginning and the end of the plan year, as reported on the Form 5500

• **Following this determination, subtract from the total number of lives covered the number of exempted reinsurance covered lives.**
Consistency Requirements and Aggregation
Consistency Requirements

• A Contributing Entity must use the same counting method for an entire calendar year.

• When a plan sponsor that maintains multiple group health plans is calculating the average number of reinsurance covered lives across two (2) or more plans, the same counting method must be used across all of the plans because they would be treated as a single plan for counting purposes.
  – However, a plan sponsor that maintains multiple group health plans can treat its plans as separate group health plans if the sponsor determines the number of covered lives under each plan as if the separate group health plan provided major medical coverage.

• Consistency in counting methods is NOT required between the enrollment count calculated under the Patient-Centered Outcomes Research Trust Fund (PCORTF) Rule and the count calculated for reinsurance purposes.
Aggregation Rules for Group Health Plans with a Self-Insured Coverage Option and an Insured Coverage Option

No Aggregation
• If the group health plan determines the number of RI covered lives under each coverage option separately as if each provided major medical coverage, the group health plan may use any of the counting methods specified for health insurance issuers or self-insured group health plans, as applicable to each coverage option.
  • For any fully-insured plans, the group health plan may use the following counting methods: actual count, snapshot count, and Member Months or State Form
  • For any self-insured plans, the group health plan may use the following counting methods: actual count, snapshot count, snapshot factor, or Form 5500

Aggregation
• If the group health plan chooses to aggregate the multiple group health plans and at least one is an insured plan, the plan sponsor must use the actual count or snapshot count counting method.
Aggregation Rules for Multiple Group Health Plans Maintained by Same Plan Sponsor

The following aggregation rules apply if there are multiple group health plans maintained by the same plan sponsor (including one (1) or more group health plans that provide health insurance coverage) that collectively provide major medical coverage for the same reinsurance covered lives simultaneously.

**No Aggregation**
If the plan sponsor determines the number of reinsurance covered lives under each separate group health plan as if the separate group health plan provided major medical coverage, the plan sponsor may treat the multiple plans as separate group health plans.

- For any fully-insured plans, the plan sponsor may use the following counting methods: actual count, snapshot count, and Member Months or State Form.
- For any self-insured plans, the plan sponsor may use the following counting methods: actual count, snapshot count, snapshot factor, or Form 5500.
Aggregation

• If the plan sponsor chooses to aggregate the multiple group health plans and at least one is an insured plan, the plan sponsor must use the actual count or snapshot count counting method.

• If the plan sponsor chooses to aggregate the multiple group health plans and none of the plans are an insured plan, the plan sponsor must use the actual count, snapshot count, or snapshot factor counting method.
Calculation of the 2015 Uniform Reinsurance Contribution Amounts
2015 Uniform Reinsurance Contribution Rate

- Reinsurance contribution amounts are calculated by multiplying a Contributing Entity’s annual enrollment count by the 2015 Uniform Reinsurance Contribution rate of **$44.00**.

  The Uniform Reinsurance Contribution Rate for 2015 was finalized in the 2015 Payment Notice at **$44.00 per covered life**.

- When entering the annual enrollment count into the Form, the contribution amount owed will be calculated automatically.
Auto-Calculated Contribution Amounts: Form Example

120 RI Covered Lives
\[ \times \quad 44.00 \quad = \]
\[ 5,280.00 \]
(auto-calculated)
### Key Deadlines for 2015

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<tr>
<th>Date</th>
<th>Activity</th>
<th>Contribution Amount</th>
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</thead>
<tbody>
<tr>
<td><strong>To Make a Full Contribution in One Payment (Combined Collection):</strong></td>
<td></td>
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</tr>
<tr>
<td>No later than November 16, 2015</td>
<td>Submit the Form and schedule payment by due date</td>
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</tr>
<tr>
<td>No later than January 15, 2016</td>
<td>Full contribution amount due (single payment)</td>
<td>$44.00 per covered life</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td><strong>$44.00</strong></td>
</tr>
<tr>
<td><strong>OR</strong></td>
<td></td>
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<tr>
<td><strong>To Make a Two-part Contribution (First and Second Collection):</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>No later than November 16, 2015</td>
<td>Submit the Form and schedule payment of first collection contribution (by due date) and duplicate the Form and schedule payment of second collection(by due date)</td>
<td></td>
</tr>
<tr>
<td>No later than January 15, 2016</td>
<td>First contribution amount due</td>
<td>$33.00 per covered life</td>
</tr>
<tr>
<td>No later than November 15, 2016</td>
<td>Second contribution amount due</td>
<td>$11.00 per covered life</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td><strong>$44.00</strong></td>
</tr>
</tbody>
</table>
Next Steps

• **NOW**
  – Review the counting methods set forth in 45 CFR 153.405(d) through (g)
  – Review these slides and “Transitional Reinsurance Program Operational Guidance: Examples of Counting Methods for Contributing Entities – UPDATED FOR THE 2015 BENEFIT YEAR” to calculate your annual enrollment count
  – Review your REGTAP emails for updates and monitor the CCIIO web page
  – Register on Pay.gov or confirm your password if you were a registered user for the previous year

• **LATER**
  – Attend future trainings
  – Complete the 2015 ACA Transitional Reinsurance Program Annual Enrollment and Contributions Submission Form, which will be available on [https://pay.gov/public/home](https://pay.gov/public/home) in October 2015

• For questions regarding Contributions, please contact us at [reinsurancecontributions@cms.hhs.gov](mailto:reinsurancecontributions@cms.hhs.gov)
# Upcoming Webinars

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<tr>
<td>Module 3: 2015 Form Completion, Submission, and Payment</td>
<td>September 23, 28, 30</td>
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*Additional webinars and user groups will be held through November 2015.*
Questions?

To submit questions by phone:
- Dial ‘14’ on your phone’s keypad
- Dial ‘13’ to exit the phone queue

To submit questions by webinar:
- Type your question in the text box under the ‘QA’ tab
Resources
## Resources

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<td>Registration for Technical Assistance Portal (REGTAP) - presentations, FAQs</td>
<td><a href="https://www.REGTAP.info">https://www.REGTAP.info</a></td>
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<tr>
<td>Registration and Form on Pay.gov</td>
<td><a href="https://pay.gov/paygov/">https://pay.gov/paygov/</a></td>
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## Regulatory References

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<th>Resource</th>
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The FAQ Database allows users to search FAQs by FAQ ID, Keyword/Phrase, Program Area, Primary and Secondary categories and Publish Date.

FAQ Database is available at http://www.REGTAP.info
Users have the option to opt in or opt out of receiving notifications when first registering in REGTAP by checking or unchecking the box for “I would like to receive notifications.”

After initial registration, contact the Registrar at registrar@REGTAP.info, call (800) 257-9520, or submit an inquiry to www.REGTAP.info to change notification preference.
Closing Remarks