

Transitional Reinsurance Program: Overview & State Decisions



DEPARTMENT OF HEALTH AND HUMAN SERVICES
CENTERS for MEDICARE & MEDICAID SERVICES
Center for Consumer Information and Insurance Oversight



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Agenda

- General Reinsurance Program Overview
- State-operated Reinsurance Requirements
- State Options and Decision Points
- Timeline and Key Dates
- Resources and Contacts

Reinsurance Program Overview

The transitional reinsurance program is a temporary State-based program established under the Affordable Care Act

- Operates from 2014 through 2016
- Stabilizes premiums by partially offsetting claims for high-cost individuals in non-grandfathered individual market plans
- May be operated by a State or HHS

Reinsurance Program Overview: Who is Affected

States:

- Must establish State reinsurance program or defer operations to HHS

Issuers:

- All issuers, self-insured plans, and third party administrators on behalf of self-insured group plans, must make contributions
- Non-grandfathered, individual market plans are eligible for payments

Reinsurance Program Overview: Reinsurance Contributions

Statutory National Annual Reinsurance Contributions*

| Program Year | Reinsurance Payments | General Fund of US Treasury** | Total Contributions |
|--------------|----------------------|-------------------------------|---------------------|
| 2014 | \$ 10 billion | \$ 2 billion | \$ 12 billion |
| 2015 | \$ 6 billion | \$ 2 billion | \$ 8 billion |
| 2016 | \$ 4 billion | \$ 1 billion | \$ 5 billion |

*Contributions collected in a State will remain in that State

** Amount equal to the cost of the Early Retiree Reinsurance Program

Reinsurance Program Overview: Reinsurance Contributions

Final Rule Announced

- Per capita contribution rate
 - National per capita rate to be proposed in the draft annual HHS notice of benefit and payment parameters

Future Guidance will Propose

- Contributions = (Quarterly # of enrollees) x (Contribution rate)
 - Quarterly number of enrollees = Estimated # of member months for all covered lives

Reinsurance Program Overview: Contribution Collections

- HHS will:
 - Begin collections on January 15, 2014
 - Collect contributions from the self-insured market, and fully insured market at State option.
 - Maintain a State-specific reinsurance fund
- Issuers/Plans will:
 - Calculate the contribution owed for each State
 - Report the total contribution owed for each State

HHS-Operated Payment Parameters

- Draft HHS notice of benefit and payment parameters
 - Will be published in Fall 2012 for the 2014 benefit year
 - Will propose reinsurance payment parameters including:
 - Attachment Point – Claim cost threshold where reinsurance begins
 - Reinsurance Cap – Claim cost threshold where reinsurance ends
 - Coinsurance Rate – Rate applied to claims costs above the attachment point and below the reinsurance cap

State-Operated Program Reinsurance Requirements

- States must establish or contract with a not-for-profit entity
 - States may permit the reinsurance entity to subcontract
- The State reinsurance entity is responsible for making reinsurance payments in the State
 - The State must ensure that payments do not exceed contribution funds
 - States may reduce payments to meet this requirement
 - Reductions must be fair and equitable to all issuers

Reinsurance Payments: State Notice

- A State must publish a State notice by March 1st 2013, if any one of the following conditions is met:
 - A modification of the HHS reinsurance payment parameters
 - Additional collection of reinsurance contributions and/or administration fees
 - More than one reinsurance entity will be established
 - Modification to data collection requirements or frequency

Reinsurance Payments: State Notice Requirements

- If the State is using more than one reinsurance entity, the State notice must also include, for each entity:
 - Geographic boundaries (must cover entire State)
 - Estimate of enrollees in fully insured plans in the individual market
 - Estimate of the contributions to be collected
 - Percentage of self-insured contributions HHS should allocate to each entity
 - Estimate of the payments that will be made to issuers

A Walk Through of State Decision-Making

State-Operated Reinsurance Options*

State-Operated Collections & Payments

State not-for-profit reinsurance entity collects from fully-insured market and make payments.**

State-Operated Payments Only

HHS collects from self-insured and fully-insured markets and the State not-for-profit reinsurance entity makes payments.**

* HHS will collect from the self-insured market and disburse those collections to State-operated programs under both options.

** HHS will not collect additional funds for reinsurance payments

A Walk Through of State Decision-Making State-Operated Reinsurance Options

REINSURANCE ENTITY SET-UP

Single
Entity

Multiple
Entities

NOTIFY HHS

**Publish in State
notice by
March 1, 2013**

- States need to decide if they will have a single reinsurance entity or multiple reinsurance entities
- If multiple reinsurance entities are established, they must:
 - Together, cover enrollees in the entire State
 - Have distinct geographic boundaries
 - All use the same payment parameters
 - Report % of enrollees in each region
- Decision will be reported to HHS and published in annual State notice

A Walk Through of State Decision-Making State-Operated Reinsurance Options

PAYMENT PARAMETERS

| HHS Method | STATE Method |
|---------------|-----------------|
|---------------|-----------------|

NOTIFY HHS

**Publish in State
notice by
March 1, 2013**

- Payments may be calculated using the HHS payment parameters or a State specific payment methodology
- Modification will be reported to HHS and published in annual State notice

A Walk Through of State Decision-Making State-Operated Reinsurance Options

**CONTRIBUTION
COLLECTIONS**

**Reinsurance
Payments**

NOTIFY HHS

**Publish in State
notice by
March 1, 2013**

- States may collect contributions from the fully insured market or defer to HHS
 - Notify HHS by November 16, 2012
- States may collect additional contributions for reinsurance payments
 - Must collect from both the fully insured and self-insured markets
- State will publish decision to collection additional contributions in its annual State notice

A Walk Through of State Decision-Making State-Operated Reinsurance Options

CONTRIBUTION COLLECTIONS

Administration Fees

NOTIFY HHS

Publish in State
notice by
March 1, 2013

- Additional collections for administration
 - States may collect additional contributions for administration
 - HHS will collect for self-insured plans even if State collects for fully insured plans
- Decision will be reported to HHS within 30 days of HHS notice of benefit and payment parameters
- Decision will be published in the annual State notice

Transitional Reinsurance Program Timeline

Premium Stabilization Final Rule

• **March 23, 2012**

HHS Draft Notice

• **Fall 2012** - Includes HHS established State-specific reinsurance parameters

Additional Reinsurance Contributions

• **Within 30 days of Draft Payment Notice** – States notify HHS of any additional administrative fees to be collected

Collection in Fully-Insured Market

• **November 16, 2012** - States must notify CMS if they will to collect contributions from their fully insured market.

HHS Final Notice

• **January 2013**

State Notice

• **March 1, 2013** - Deadline for State-operated reinsurance programs to publish a State payment notice

HHS Collection of Reinsurance Contributions

• **January 15, 2014** - HHS collection of contributions commences and continues quarterly

Reinsurance Program: Key Takeaways

- ❑ The reinsurance program is a temporary program (2014-2016)
- ❑ Establishing a transitional reinsurance program is optional for States
- ❑ If States do not establish a reinsurance program, HHS will perform reinsurance operations
- ❑ HHS will collect reinsurance contributions from the self-insured market
- ❑ States may collect additional reinsurance contributions for payments.
If they do so, the State must collect them from both the self-insured and fully insured markets
- ❑ States must inform HHS by November 16th 2012 if they wish to collect contributions in the fully insured market for the 2014 benefit year
- ❑ If applicable, a State must publish a State Notice by March 1st 2013

Resources for Additional Information:

Final Rule

Standards Related to Reinsurance, Risk Corridors, and Risk Adjustment

See: <http://www.gpo.gov/fdsys/pkg/FR-2012-03-23/pdf/2012-6594.pdf>

Resources for Additional Information:

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