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Frequently Asked Questions about the Transitional Reinsurance Fee (TRF)

The transitional reinsurance fee (TRF) applies to fully insured and self-funded major medical plans for 2014, 2015, and 2016. The purpose of the fee is to provide funds to help stabilize premiums in the individual insurance market in view of uncertainty about how the Patient Protection and Affordable Care Act (PPACA) will affect claims experience. While insurers are responsible for reporting and paying the fee on the policies they issue, the fee will generally be passed on to the employer. Plan sponsors of self-funded plans (or their representatives) must report and pay the fee to the federal government at www.pay.gov.

Q1: What plans does the TRF apply to?

A1: All plans that provide primary major medical coverage to employees or retirees owe this fee. Major medical coverage includes medical plans that provide minimum value (that is, have an actuarial value of 60% or more) and all medical policies provided through the Marketplace. If the employer uses multiple separate plans or policies that collectively provide major medical coverage, one fee is due on that combined coverage.

The fee does not apply to:

- Medical coverage if the employer or retiree plan is secondary
- Medical coverage that does not provide minimum value, such as a “skinny” plan
- Stand-alone dental and vision plans (stand-alone means these benefits are elected separately from medical, or the benefits are provided under separate insurance policies from the medical coverage)
- Life insurance
- Short- and long-term disability and accident insurance
- Long-term care
- Health flexible spending accounts (FSAs)
- Health savings accounts (HSAs)
- Health reimbursement arrangements (HRAs)
- Hospital indemnity or specified illness coverage

- Employee assistance programs (EAPs) and wellness programs that do not provide major medical coverage
- Stop-loss coverage

Q2: Does the fee apply to all types of plan sponsors?

A2: There are no exceptions for small employers. There are no exceptions for government, church or not-for-profit plans. Grandfathered plans owe this fee. Union plans must pay the fee on their covered members. However, self-funded plans that are self-administered (that is, they do not use a third party vendor to process claims or eligibility) are exempt for 2015 and 2016.

Q3: Who must pay this fee?

A3: The fee must be determined and paid by:

- The insurer for fully insured plans
- The plan sponsor of self-funded plans (this is typically the employer for a single-employer plan and the board or committee for a multiemployer plan). The plan's TPA may assist with the calculation and pay the applicable fee on behalf of the plan sponsor

Q4: When is the TRF filing due?

A4: The TRF filing is due by November 15, 2014, November 15, 2015, and November 15, 2016. (The due date is the same for both calendar year and non-calendar year plans.)

Q5: When is the fee due?

A5: Employers and insurers may pay the fee in one installment, by January 15, 2015, January 15, 2016, and January 15, 2017, or in two installments each year. If paid in installments, the larger installment will be due January 15 and the smaller installment will be due the following November 15. For example, if the 2014 fee is paid in installments, $52.50 per person will be due January 15, 2015, and $10.50 per person will be due November 15, 2015.

Q6: How much is the fee?

A6: The annual fee is $63.00 per covered life for 2014. The fee is $44.00 per covered life for 2015. The fee is expected to be approximately $27.00 per covered life in 2016.

The fee is based on covered lives (i.e., employees, retirees, and COBRA participants and covered spouses and children).

Q7: What if the plan terminates?

A7: The fee is due for each calendar year the plan was in effect.

Q8: What if the plan switches between fully insured and self-funded status during the year?

A8: If a plan moves between fully insured and self-funded status, the carrier will owe the fee for the period it provided coverage and the plan sponsor will owe the fee for the period the plan is self-funded. Since reporting is only based on January through September coverage, a May 1 change would cause the entity that provided coverage from January through April to pay four-ninths of the fee.

Example: Zinc Corporation has a fully insured plan from January 1, 2014 through April 30, 2014, and is self-funded from May 1, 2014, through December 31, 2014. The insurance company is responsible for paying the fee from January 1 through April 30. Zinc is responsible for paying the fee from May 1 through September 30. Zinc uses the actual count method (described in Question 10) and will measure its obligation as follows:

January 2014	0 total covered lives
February 2014	0 total covered lives
March 2014	0 total covered lives
April 2014	0 total covered lives
May 2014	9,100 total covered lives
June 2014	9,150 total covered lives
July 2014	9,000 total covered lives
August 2014	9,250 total covered lives
September 2014	9,150 total covered lives

Zinc is responsible for 45,650 total lives for 2014 divided by 273 total days from January through September, for 167.21611 lives, on average, for the year. The lives are rounded to the nearest hundredth and multiplied by $63.00, for a total of $10,534.86 due.

Q9: What if a plan is new?

A9: The fee will be due for each month the plan is in effect. The rate for that calendar year will apply. (For example, if the plan begins January 1, 2015, the first fee will be $44.00 per covered life and the first filing will be due on November 15, 2015.) If the plan began April 1, 2014, the fee will apply for April 1, 2014, through December 31, 2014, based on average covered lives from April through September, and the first filing will be due November 15, 2014.

Q10: How is the fee calculated?

A10: Plan sponsors of self-funded benefits have several options to calculate the number of lives on which the fee is based. Results should be rounded to the nearest hundredth:

- Actual Count Method – Count the covered lives on each day of the first nine months of the calendar year, and divide by the number of days in the first nine months. This average number will be multiplied by $63.00 to determine the fee for 2014.
- Snapshot Count Method – Determine the number of covered lives on dates during the first three quarters of the calendar year, and divide the total by the number of dates on which a count was made. The measurement date must be the same corresponding month in each quarter, and dates for the second and third quarters must be in the same week of the month as was used for the first quarter. An entity may use more than one measurement date per quarter if an equal number of dates are used for each quarter.

  Example: Acme has chosen to measure on the first calendar day of each quarter. On January 1, 2014, it had 127 covered lives on its plan. On April 1, 2014, it had 130 covered lives. On July 1, 2014, it had 132 covered lives. On October 1, 2014, it had 128 covered lives. Acme will report lives to the federal government by November 15, 2014 (127 + 130 +132 = 389. Dividing by 3 gives an average of 129.67, which will be multiplied by $63.00 to determine the fee for 2014.) The October 1 count is disregarded.

- Snapshot Factor Method – Determine the number of covered employees/retirees/COBRA participants on dates during the first three quarters of the calendar year who have self-only coverage and the number who have other than self-only coverage. The measurement date must be the same corresponding month in each quarter, and dates for the second and third quarters must be in the same week of the month as was used for the first quarter. An entity may use more than one measurement date per quarter if an equal number of dates are used for each quarter.

  Also multiply the number of employees/retirees/COBRA participants with other than self-only coverage by 2.35 to approximate the number of covered dependents (rather than actually counting them), and add that to the number of employees/retirees/COBRA participants with self-only coverage. Divide the total by the number of dates on which a count was made.

  Example: Blackstone has chosen to measure on the first workday of each month. Its covered employees are:

Jan. 1, 2014	50 (self-only) and 40 (other than self-only)
Feb. 1, 2014	50 (self-only) and 40 (other than self-only)
March 1, 2014	52 (self-only) and 42 (other than self-only)
April 1, 2014	53 (self-only) and 41 (other than self-only)
May 1, 2014	54 (self-only) and 40 (other than self-only)
June 3, 2014	53 (self-only) and 42 (other than self-only)
July 1, 2014	54 (self-only) and 42 (other than self-only)
Aug. 1, 2014	49 (self-only) and 40 (other than self-only)
Sept. 3, 2014	48 (self-only) and 41 (other than self-only)

  For the first nine months of the year, Blackstone has a total of 463 self-only employee lives and 368 other than self-only employee lives. Blackstone will multiply the 368 by an assumed 2.35 dependents per employee, for total of 864.8 employee/dependent covered lives. Add 463 and 864.8 for 1,327.8 total lives and divide by 9 for the average number of lives. Blackstone will owe $9,294.39 [1,327.8 divided by 9 gives an average of 147.5333, which will be rounded to 147.53 (the nearest hundredth) and multiplied by $63.00].

- Form 5500 Method – Determine the number of participants at the beginning and end of the plan year as reported on Form 5500.

  – If dependents are covered, add the participant count for the start and the end of the plan year (to approximate the total number of covered employee and dependent lives).

    Example: Smith Bros. has a May 1 plan year. Smith's plan covers dependents. Smith's Form 5500 for the plan year May 1, 2013 – April 30, 2014, showed 131 participants at the beginning of the year and 137 participants at the end of the year. Smith will owe $16,884 ([131+137] x 63.00).

  – If dependents are not covered, add the participant count for the start and the end of the plan year and average the result.

    Example: Taylor Trucking has a March 1 plan year. Taylor's plan does not cover dependents. Taylor's Form 5500 for the plan year March 1, 2013 – February 28, 2014, showed 450 participants at the beginning of the year and 461 participants at the end of the year. Taylor will owe $28,696.50 (450 + 461 = 911. Divide by 2, to get 455.5 and multiply by $63.00.)

  – The Form 5500 must be filed by July 31 to use this option.

Q11: May an employer change its calculation method?

A11: The same method must be used throughout a calendar year, but it may be changed from year to year.

Q12: May an employer use a different calculation for the Patient Centered Outcomes Research Institute (PCORI) fee and this fee?

A12: Yes, the employer may use different methods for these two fees.

Q13: What if the employer sponsors multiple plans?

A13: If there are multiple plans, only one fee would apply to a covered life. The plan that provides primary major medical coverage (generally defined as minimum value coverage) is primarily responsible.

Q14: How is the fee paid?

A14: The fee will be reported and paid through www.pay.gov. When the entity reports the number of covered lives (by November 15), the employer will provide account information and choose a payment date. The fee will be electronically withdrawn by the government on the chosen payment date.

Q15: Is the reporting form available?

A15: No, the reporting form is not available yet. An entity that is not yet registered at www.pay.gov may register now, but it cannot complete the filing process. (The "Register" link is in the far upper right of the page.) When available, the form will be labeled "ACA Transitional Reinsurance Program Annual Enrollment and Contribution Submission Form."

Q16: Is the fee tax-deductible?

A16: Yes, the fee is tax-deductible as a business expense.

Q17: Is record-keeping required?

A17: Yes, the contributing entity must maintain paper or electronic records to substantiate the enrollment count on which the fee is based for at least 10 years.

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