

It's True...Big Health Reform Fees are Coming

The Affordable Care Act (ACA) includes a Transitional Reinsurance Program and gives the Department of Health and Human Services (HHS) the authority to collect reinsurance “contributions” of \$12 billion in 2014, \$8 billion in 2015 and \$5 billion in 2016. These contributions will be used to help stabilize the individual insurance markets across the country. In short, this pool of money will be allocated to the individual market to offset the cost of high cost claimants. (An influx of adverse risk is anticipated as underwriting barriers are lifted and federal subsidies are provided to enable coverage under the individual mandate.)

HHS will be collecting the reinsurance contributions from group health plans that provide major medical coverage. If you are wondering if this cost applies to you, the answer is almost certainly yes.

HHS released proposed rules regarding this transitional program. The key facts that are important to group health plan sponsors are:

- The reinsurance fee applies to both insured and self-insured health plans.
- The 2014 fee is estimated to be \$5.25 per enrollee per month, or \$63 per year.
- “Enrollee” is defined as each covered person, including subscribers and dependents.
- Pre-65 retiree plans are included.
- Stand-alone dental and visions plans, health FSA, HRA and HSA plans are generally excluded.
- The transitional program runs from 2014 to 2016, with fees projected to be somewhat lower in the latter two years.

Clearly the costs are significant. For example, a plan with 3,000 covered employees and 3,300 dependents will pay over \$400,000 in 2014. A plan with 8,000 covered employees and 8,800 dependents will pay over \$1 million.

HHS plans to collect the 2014 fees in late 2014, but with a grace period it may be early 2015. Regardless, this will be a key consideration for the 2014 budget process.

Is this final? Not *quite*...HHS has requested public comments and will consider such comments before releasing final regulations. (We anticipate that the majority of public comments will be strongly against the fees.) The final regulations will follow (presumably in early 2013) and will indicate if there is any significant movement off the proposed fees.

The Federal Register is available [here](#) and includes instructions for submitting comments. Comments are due no later than 5 p.m. on December 31, 2012. (Just keep in mind that submitted comments are made public.)

SBA will follow developments closely. Do not hesitate to contact us with any questions.