

DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
Center for Consumer Information & Insurance Oversight
200 Independence Avenue SW
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Date: April 14, 2015

Subject: The Transitional Reinsurance Program’s Contribution Collections for the 2014 Benefit Year

Section 1341 of the Affordable Care Act established a transitional reinsurance program to help stabilize premiums in the individual market inside and outside of the Marketplaces. The transitional reinsurance program collects contributions from health insurance issuers and certain self-insured group health plans (collectively, “contributing entities”) at an annual per capita contribution rate to fund reinsurance payments to issuers of non-grandfathered reinsurance-eligible individual market plans, the administrative costs of operating the reinsurance program, and the general fund of the U.S. Treasury for the 2014, 2015, and 2016 benefit years. Under the Affordable Care Act, the 2014 benefit year statutory collection target is \$12 billion, with an estimated \$10 billion for reinsurance payments, and \$2 billion for the general fund of the U.S. Treasury. The amount for administrative expenses for the 2014 benefit year is \$20.3 million (78 FR 15410, 15461). In order to meet the \$12.02 billion target for the 2014 benefit year, the Department of Health and Human Services (HHS) established an annual per capita contribution rate of \$63.00 in the HHS Notice of Benefit and Payment Parameters for 2014 Final Rule (78 FR 15459).

Contributing entities were given the option to pay the 2014 benefit year contribution: (1) in one payment to be remitted no later than January 15, 2015, reflecting \$63.00 per covered life; or (2) in two separate payments, with the first payment due by January 15, 2015, reflecting \$52.50 per covered life, and the second payment due by November 15, 2015, reflecting \$10.50 per covered life.

As of March 31, 2015, HHS has collected approximately \$8.7 billion in reinsurance contributions for the 2014 benefit year. Approximately \$1 billion more is scheduled to be remitted on or before November 15, 2015. As finalized in the Patient Protection and Affordable Care Act; Exchange and Insurance Market Standards for 2015 and Beyond Final Rule (79 FR 30257), since collections fell short of the estimates for the 2014 benefit year, the first \$10 billion in contributions collected will be allocated wholly for reinsurance payments to issuers of non-grandfathered reinsurance-eligible individual market plans. If the statutory collection target for reinsurance payments for the 2014 benefit year is met, any contributions collected between \$10 billion and \$12.02 billion will be allocated on a pro rata basis to the general fund of the U.S. Treasury and administrative expenses.