DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
Center for Consumer Information & Insurance Oversight
200 Independence Avenue SW
Washington, DC 20201

Date: June 17, 2015

Subject: Transitional Reinsurance Program: Pro Rata Adjustment to the National Coinsurance Rate for the 2014 Benefit Year

The Affordable Care Act established the transitional reinsurance program to help keep premiums stable and affordable for consumers by providing payments to health insurance issuers that cover higher cost populations in the individual market. Today, the Department of Health and Human Services (HHS) is pleased to announce that the national coinsurance rate for the 2014 benefit year for the transitional reinsurance program will be increased from 80 percent to 100 percent for non-grandfathered reinsurance-eligible individual market plans' covered claims costs between the attachment point of $45,000 and the reinsurance cap of $250,000. HHS will remit payments to issuers starting in August 2015.

As stated in the HHS Notice of Benefit and Payment Parameters for 2015 Final Rule (79 FR 13777), consistent with 45 CFR 153.230(d), if reinsurance contributions exceed the total requests for reinsurance payments for a benefit year, HHS will increase the coinsurance rate on reinsurance payments for that benefit year, up to a maximum of 100 percent. **For the 2014 benefit year, reinsurance contributions exceeded the requests for reinsurance payments; therefore we have increased the coinsurance rate to 100 percent.**

Under the transitional reinsurance program, established in Section 1341 of the Affordable Care Act and its implementing regulations,[1] reinsurance payments will be made to health insurance issuers of non-grandfathered reinsurance-eligible individual market plans for a percentage of covered claims (coinsurance rate) above the attachment point and below the reinsurance cap. For the 2014 benefit year, the attachment point is $45,000, the reinsurance cap is $250,000 and the coinsurance rate was scheduled to be 80 percent (with flexibility to adjust the coinsurance rate up to 100 percent if reinsurance contributions exceeded the total requests for reinsurance payments).[2] Therefore, under the final 2014 benefit year reinsurance payment parameters, accounting for the pro rata adjustment, issuers will be reimbursed 100 percent for non-grandfathered reinsurance-eligible individual market plans' covered claims costs between the attachment point of $45,000 and the reinsurance cap of $250,000.

[1] See 45 CFR Part 153.
[2] See Patient Protection and Affordable Care Act; HHS Notice of Benefit and Payment Parameters for 2014 and Amendments to the HHS Notice of Benefit and Payment Parameters for 2014; Final Rules; Patient Protection and Affordable Care Act; Establishment of Exchange and Qualified Health Plans; Small Business Health Options Program; Proposed Rule (78 FR 15410); and Patient Protection and Affordable Care Act; HHS Notice of Benefit and Payment Parameters for 2015; Final Rule (79 FR 13744).

As detailed in the April 14, 2015 report on *The Transitional Reinsurance Program's Contribution Collections for the 2014 Benefit Year*,[3] HHS has collected approximately $8.7 billion in reinsurance contributions for 2014, with approximately $1 billion more scheduled to be collected on or before November 15, 2015.[4] On June 30, 2015, HHS will send each issuer of a reinsurance-eligible plan a report that will include the total amount in reinsurance payments that the issuer will receive for the 2014 benefit year.

[3] http://www.cms.gov/CCIIO/Resources/Regulations-and-Guidance/Downloads/Reinsurance-Contributions-Total-Amount-Collected-final-.pdf

[4] 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 reinsurance contributions collected will be allocated wholly for reinsurance payments to issuers of non-grandfathered reinsurance-eligible individual market plans. Therefore, any remaining funds from the 2014 benefit year will be rolled over for use as reinsurance payments in the subsequent benefit year.