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, 2016

Subject: Transitional Reinsurance Program: Pro Rata Adjustment to the National Coinsurance Rate for the 2015 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 iss higher cost populations in the individual market. Today, the Department of Health and Human Services (HHS) is announcing that the national coinsurance rate for the 2015 benefit year transitional reinsurance program will be **an estimated 55.1 percent**[1] 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 available contributions and this initial, estimated coinsurance rate starting in August 2016.

Under the transitional reinsurance program, established in Section 1341 of the Affordable Care Act and its implementing regulations,[2] reinsurance payments will be made to 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 2015 benefit year, the attachment point is $45,000, the reinsurance cap is $250,000 and the coinsurance rate was set at 50 percent with flexibility to adjust the coinsurance rate up maximum of 100 percent if reinsurance contributions exceeded the total requests for reinsurance payments.[3] Consistent with 45 CFR 153.230(d), HHS believes that the funds available to make reinsurance payments will exceed the reinsurance payments requested for the 2015 benefit year under the 2015 benefit year reinsurance payment parameters.

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[1] This is an initial, estimated coinsurance rate. As stated in 45 CFR 153.230(d), "if HHS determines that all reinsurance payments requested…for a benefit year will not be equal to the amount of contributions collected, HHS will determine a uniform pro rata adjustment." As such, CMS can update the coinsurance rate after HHS determines the total amount of reinsurance payments requested and contributions collected. The initial, estimated reinsurance coinsurance rate for the 2015 benefit year is subject to change -- and may increase or decrease -- in light of overlapping claims, differences between projected and actual reinsurance contribution collections, discrepancies and appeals. As stated in the "Overlapping Inpatient Claim Issue and Reporting Requirements (2015 Benefit Year)" presentation, available at: https://www.regtap.info/uploads/library/DDC_Slides_050316_5CR_051116.pdf, the payment amounts in the June 30, 2016 report may change for certain issuers. CMS intends to update the June 30, 2016 report once the overlapping claims research and reporting process is complete. As such, we emphasize that this initial, estimated coinsurance rate may change.

[2] See 45 CFR Part 153.

[3] See Patient Protection and Affordable Care Act; HHS Notice of Benefit and Payment Parameters for 2015; Final Rule (79 FR 13744) and Patient Protection and Affordable Care Act; HHS Notice of Benefit and Payment Parameters for 2016; Final Rule (80 FR 10750).

As detailed in the February 12, 2016 report on *The Transitional Reinsurance Program's Contribution Collections for the 2015 Benefit Year*,[4] HHS has approximately $1.7 billion in 2014 benefit year reinsurance contributions to be used for 2015 benefit year payments,[5] and collected approximately $5.5 billion in reinsurance contributions for the 2015 benefit year, with approximately $1 billion more scheduled to be collected on or before November 15, 2016. On June 30, 2016, HHS will send each issuer of a reinsurance-eligible plan a report that will include the initial, estimated reinsurance payments that the issuer should expect to receive for the 2015 benefit year.[6] Any reinsurance payment will be reduced by the amount of early reinsurance payments that were remitted to issuers in March and April, 2016 pursuant to the CMS guidance released on October 9, 2015, *Early Reinsurance Payments for the 2015 Benefit Year*.[7]

*NOTE: For reporting Overlapping Inpatient Claims research, CMS requests issuers to report research results through the Overlapping Inpatient Claims web form between June 1, 2016 and August 31, 2016. Please see the May 18, 2016 webinar, titled "Risk Adjustment and Reinsurance Attestation and Discrepancy Reporting Process for the 2015 Benefit Year" available via www.regtap.info for information on the Overlapping Claims research and reporting process.

[4] Available at: https://www.cms.gov/CCIIO/Resources/Regulations-and-Guidance/Downloads/RIC_2015ContributionsGuidance.pdf

[5] CMS collected approximately $9.7 billion in reinsurance contributions for the 2014 benefit year reinsurance payments, and received $7.9 billion in reinsurance payment requests. Approximate 2014 benefit year contributions are available for the 2015 benefit year reinsurance payments consistent with the allocation approach finalized in the Patient Protection and Affordable Care Act; Exchange and Insurance Market Standards for 2015 and Beyond; Final Rule (79 FR 30257).

[6] This is an initial, estimated reinsurance payment amount. The initial, estimated reinsurance coinsurance rate for the 2015 benefit year, is subject to change -- and may increase or decrease -- in light of overlapping claims, differences between projected and actual reinsurance contribution collections, discrepancies and appeals. As stated in the "Overlapping Inpatient Claim Issue and Reporting Requirements (2015 Benefit Year)" presentation, available at: https://www.regtap.info/uploads/library/DDC_Slides_050316_5CR_051116.pdf the payment amounts in the June 30, 2016 report may change for certain issuers, CMS intends to update the June 30, 2016 report once the overlapping claims research and reporting process is complete.

[7] Available at: https://www.cms.gov/CCIIO/Programs-and-Initiatives/Premium-Stabilization-Programs/Downloads/Early-Reinsurance-Guidance-FInal-10-09-15.pdf