



Date: 5/1/2020

Subject: SBE-FP User Fee Collection Process – Resource for States

A. Background

While a State-based Exchange on the Federal Platform (SBE-FP) is responsible for activities such as certifying qualified health plans (QHPs), providing oversight of issuers, managing assister programs, and providing stakeholder outreach and education, the SBE-FP relies on the Federally-facilitated Exchange’s (FFE) information technology systems, FFE consumer call center, and FFE eligibility and enrollment services (the federal platform).

Accordingly, under 45 CFR §156.50(c)(2), CMS charges all issuers offering QHPs through SBE-FPs a user fee for the special benefits provided to SBE-FP issuers, calculated as a percent of premiums charged for effectuated enrollments through the Federal platform. The user fee is established for each plan year in the annual Notice of Benefit and Payment Parameters rule for the applicable plan year.

CMS can either collect user fees from the SBE-FP, upon request by the SBE-FP (see Section B: Option One below), or directly from SBE-FP issuers (see Section B: Option Two below). Both options require that the SBE-FP and the SBE-FP issuer proceed through the payment set-up process in order to receive or submit user fee payments, or receive informational reports. This document provides SBE-FPs insight into their responsibilities. SBE-FP issuers should contact Vendor_Management@cms.hhs.gov for information on their responsibilities.

B. User Fee Collection Process

Option One: Collection of User Fees from SBE-FP

Upon an SBE-FP’s request received on or before September 1 prior to each open enrollment, CMS can collect user fees from the SBE-FP instead of collecting directly from the SBE-FP issuers. In such a case, CMS will invoice the SBE-FP on a monthly basis for an amount equal to the total amount of user fees that would have otherwise been collected directly from all of the SBE-FP issuers. Any adjustments to amounts collected for prior months’ user fees would be made to amounts invoiced for the following payment cycle. For example, if due to changes in enrollment during a month, the user fees collected for that month should have been higher or lower, the invoice for the next month will be increased or decreased accordingly.

Payment Cycle Overview

The high-level monthly timeline for the SBE-FP user fee payment cycle is below, where payment months follow calendar months:

1. 10th-15th of Payment Month: Preliminary Payment Reports (PPR) sent to SBE-FP. SBE-FP issuers receive an informational PPR via Electronic File Transfer (EFT), with policy level details for user fee billing that has been invoiced to the SBE-FP.
2. 10th-15th of Payment Month: An invoice is generated and sent to the SBE-FP.
3. By end of Payment Month: The SBE-FP receives HIX 820 file.
4. By end of Payment Month: SBE-FP issuers receive an informational PPR via EFT, with policy level details for user fee billing that has been invoiced to the SBE-FP.

Payment Cycle Detail

CMS calculates the SBE-FP issuers' user fee as a percent of total premiums charged for effectuated enrollment, at the policy level, as of the end of the current month, adjusted as applicable for any contraceptive user fee adjustment credits. The SBE-FP will be responsible for reflecting the credit when assessing user fees to the issuers. This process allows CMS to calculate a net monthly amount for each SBE-FP issuer, such that SBE-FPs will receive a mailed invoice between the 10th and the 15th of the month, requesting payment to CMS.

The above referenced calculation results in a PPR file sent to the SBE-FP between the 10th and the 15th of the payment month with policy level user fee details. The PPR (function code I820) is a pipe-separated file, corresponding to the HIX 820 (function code F820) file that is provided to SBE-FPs by the end of the same month, and contains all the policy and program-level payment details by SBE-FP issuer, for user fees. The HIX 820 is an X12 remittance notification, which includes all of the information provided on the PPR, as well as the Treasury EFT Trace Number. Notably, due to systems limitations, an SBE-FP may receive two HIX 820s per month if any issuer has one million effectuated policies or more in a month.

In addition, between the 10th and 15th of the month, SBE-FP issuers will receive an *informational* PPR via EFT with the function code of D820. This informational PPR will only have policy level details for user fee billing that has been invoiced to the SBE-FP.

Option Two: Collection of User Fees from SBE-FP Issuers

If an SBE-FP does not request to provide the user fees to CMS as specified in Option One, then CMS will collect the user fees directly from the SBE-FP's issuers.

Payment Cycle Overview

The high-level monthly process for the SBE-FP issuer user fee payment cycle is below, where payment month follows calendar month:

1. 10th-15th of Payment Month: PPR sent to each SBE-FP issuer. SBE-FP receives an informational PPR via EFT, with policy level details for user fee billing that has been invoiced to the SBE-FP issuer.
2. 10th-15th of Payment Month: An invoice is generated and sent to each SBE-FP issuer for the payment month if the SBE-FP issuer owes a payment to CMS after user fees are netted against advance payments of premium tax credits (APTC). If an SBE-FP issuer receives an invoice, it will not receive a payment for this month.
3. 19th-22nd of Payment Month: Each SBE-FP issuer receives payment via EFT, if any payment is due to SBE-FP issuer. If payment is due from CMS, the SBE-FP issuer would not have received an invoice.
4. By end of Payment Month: SBE-FP issuer receives HIX 820 file.

Payment Cycle Detail

CMS calculates the SBE-FP issuers' user fee as a percent of total premiums charged for effectuated enrollment, at the policy level, as of the end of the current month, adjusted as applicable for any contraceptive user fee adjustment credits. This process allows CMS to calculate a net monthly payment or invoice at the issuer level for each SBE-FP issuer, netting user fees against APTC, such that SBE-FP issuers that owe a payment to CMS will receive a mailed invoice between the 10th and the 15th of the month requesting payment, and those that are owed a payment from CMS will receive one lump-sum payment through EFT between the 19th and the 22nd of the month.

If requested by an SBE-FP, the above referenced calculation results in a PPR file sent to the SBE-FP between the 10th and the 15th of the payment month with policy level user fee details only. This informational PPR (function code D820) is a pipe-separated file.

Payment Process Set-up

The payment process set-up options described below may take a few months to complete, so we recommend SBE-FPs give themselves sufficient time to engage in the set-up process and plan ahead accordingly.

In order to receive invoices and make payments under Section B, Option One, SBE-FPs requesting CMS collect user fees from the SBE-FP instead of their issuers, must establish a payee record in the CMS Vendor Management Tool and provide banking information with a Bank Verification Letter (BVL). SBE-FPs must contact the Vendor Management team at Vendor_Management@cms.hhs.gov for instructions and assistance with starting this process.

For an SBE-FP that would like to receive a copy of the PPR (function code D820) displaying the user fee invoices that are sent to the issuer under Section B, Option Two, the SBE-FP must establish a payee record, but will not need to provide banking information, as it will not be receiving invoices or making payments with this option. The SBE-FP must contact the Vendor Management team at Vendor_Management@cms.hhs.gov for instructions and assistance with starting this process.

For either scenario, to complete the registration process, the SBE-FP will be notified via email to start the Electronic Data Interchange (EDI) onboarding process after the payee record is approved. The SBE-FP must have a payee ID to establish the EDI connectivity and to receive a payment report. Please contact the Vendor Management team at Vendor_Management@cms.hhs.gov with further questions with starting this process.