

Taxes and fees — and how they may impact you

Affordable Care Act update for plan sponsors with insured and self-funded plans

The Affordable Care Act (ACA) includes a number of provisions that affect both insured and self-funded plans. Those provisions include four new taxes and fees, which we expect to impact the cost of plans going forward. The responsibility for paying them falls on both health insurers and plan sponsors.

This flyer goes over these new taxes and fees based on current guidance. We want to help you stay up to date based on what we know at this time. We'll provide updated information about how we expect these taxes and fees to impact your plan when more regulatory details are available.

New taxes and fees in place and coming soon

These four ACA-mandated taxes and fees are impacting health plan(s) today and in coming years:

- Health insurance providers fee (HIP)
- Transitional reinsurance program contribution (RC)
- Patient Centered Outcomes Research Institute Fee (also known as the “Comparative Effectiveness Fee”)
- High-Value Plan Tax (also known as the “Cadillac Tax”)

Because the new federal taxes and fees are already impacting the cost of plans, with more to come, it's important to understand each one. By doing so, you can better plan for the expected impacts.

The chart on the next page has a summary for each of the four taxes and fees.

Other ACA taxes are expected to impact health plans indirectly

The ACA also imposed new annual taxes on drug companies with more than \$5 million in sales, beginning in 2011. Between 2012 and 2019 the aggregate tax ranges from \$2.8 to \$4.1 billion, and continues thereafter.

Beginning in 2013, the ACA also imposes an excise tax of 2.3 percent on the sale of any taxable medical device.

The drug and medical device companies may build these costs into the prices of their products. If so, they will affect your premiums and/or claim costs.

Provision	Summary	Time Period
Health insurance providers fee <i>Insured plans only</i>	<p>Description: Health insurers will have to pay an annual fee to offset at least a portion of premium subsidies and tax credits for qualifying individuals purchasing coverage on the public exchanges. This fee begins in 2014.</p> <p>Fee: Industry fee of \$8 billion in 2014, increasing to \$14.3 billion in 2018. It goes up each year thereafter at the rate of premium growth.</p> <p>Impacted products: All medical, dental and vision plans except: Medicare Supplement; coverage for specific diseases; hospital/fixed indemnity coverage; Accident/Disability-only overages; Long-term care; and Stop Loss.</p> <p>Who pays: Health insurers must pay the fee. The Secretary of the U.S. Treasury Department, through the IRS, determines the amount due by each health insurer and bills them annually. The total annual fee is allocated to each insurer based on its share of aggregated affected premiums.</p> <p>When the payment is due: Insurers must pay the federal government annually, by no later than September 30 of each year.</p>	<i>Ongoing</i> 2014 and beyond
Transitional reinsurance program contribution (RC) <i>Insured and self-funded plans</i>	<p>Description: A fee health insurers and self-funded plan sponsors will pay to fund state non-profit reinsurance entities. These organizations help finance high-risk individuals in the individual market.</p> <p>Fee: Aggregate fee of \$25 billion over the three-year period.</p> <p>Impacted products: All medical plans except: Medicare, Medicare Supplement, Medicaid, SCHIP; excepted benefit plans (including standalone vision and dental plans); Expatriate Coverage; and Stop Loss.</p> <p>Who pays: Health insurance issuers pay for insured plans. Employers pay for self-funded plans. Both health insurers and employers must collect and remit the contribution to the federal government.</p> <p>When the payment is due: The counting methods are similar to those utilized with the Patient Centered Outcomes Research Fund (PCORF) Fee, where plan sponsors pay the IRS directly. The annual enrollment count is due November 15 of each year to the U.S. Department of Health and Human Services (HHS). After HHS receives the annual enrollment count, they will provide two invoices. The first invoice is sent in December of the benefit year. The second invoice is sent during the last quarter of the calendar year following the benefit year. Payments to the federal government are required within 30 days after receiving the invoices.</p>	<i>Temporary</i> 2014 to 2016
Patient Centered Outcomes Research Institute fee <i>Insured and self-funded plans</i>	<p>Description: Health insurers and self-funded plan sponsors will have to pay an annual fee to fund clinical outcomes effectiveness research.</p> <p>Fee: \$1 per covered life in the plan's first year that ends on or after October 1, 2012, and before October 1, 2013; \$2 per covered life for plan/policy years ending on or after October 1, 2013, and before October 1, 2014. The amount may be adjusted for increases in national health expenditures in future years. The fee is set to end in 2019.</p> <p>Who pays: For insured plans, the health insurance issuers are responsible. For self-funded plans, the plan sponsors are responsible.</p> <p>When the payment is due: The IRS treats this fee as an excise tax. A federal excise tax return (form 720) must be filed by July 31 of the year after the plan year ends.</p>	<i>Temporary</i> 2012 to 2019
High-value plan tax (also known as the "Cadillac tax") <i>Insured and self-funded plans</i>	<p>Description: Tax on high-value health plans, measured by premium (insured) or COBRA equivalent rates (self-funded) cost.</p> <p>Fee: Plans with premiums of more than \$10,200 (single) or \$27,500 (family) are subject to a 40 percent excise tax on the amount above those costs. The amounts are adjusted for cost of living, age and gender. It increases in 2019 by CPI + 1 percent and in 2020 and beyond by CPI.</p> <p>Who pays: The health insurer pays the excise tax for insured plans. The plan sponsor pays for self-funded plans.</p> <p>When the payment is due: The IRS hasn't issued guidance for administering this excise tax, including the method and timing for payment. We'll give you updated information once the regulatory guidance is available.</p>	<i>Ongoing</i> 2018 and beyond

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