

Taxes and fees—how they impact you

Affordable Care Act update for insured and self-funded plans

The Affordable Care Act (ACA) includes a number of provisions that impact insured and self-funded plans. These provisions include four new taxes and fees which may impact the cost of plans in the future. The responsibility for paying new taxes and fees will fall on both health insurers and plan sponsors.

We are still awaiting final regulatory rules and guidance on how each of these taxes and fees will be calculated and paid. In the interim, we feel it is important that you understand each fee and anticipate the expected impacts.

New taxes and fees on the horizon

The following ACA-mandated taxes and fees are expected to impact health plan(s):

1. Health Insurer Fee
2. Transitional Reinsurance Program Contribution
3. Patient-Centered Outcomes Research Fee (also known as the Comparative Effectiveness Fee)
4. High-Value Plan Tax (also known as the “Cadillac Tax”)

Research conducted by the National Federation of Independent Businesses (NFIB) in November 2011 suggests that insured premiums will increase at least 2-3 percent as a result of the Health Insurer Fee

In addition, Milliman recently published a report for the Society of Actuaries that indicates premium may increase to \$73-\$78 per member per year for the Reinsurance Contribution.

For 2014, this works out to approximately 4 percent of premiums for the combined Health Insurer Fee and Reinsurance Contribution for a representative group plan.

Other ACA taxes are expected to impact health plans indirectly

In addition to taxes and fees on health plans, the ACA also imposed new annual taxes on pharmaceutical companies with more than \$5 million in sales in 2011 and between \$2.8 million and \$4.1 million from 2012-2019. Beginning in 2013, the ACA also imposes an excise tax of 2.3 percent on the sale of any taxable medical device. To the extent that the pharmaceutical and medical device companies incorporate these taxes into the cost of products, they will affect your premiums and/or claim costs.



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Provision	Summary	Fee	Years
Health Insurer Fee <i>Insured plans only</i>	<p>Description: Health insurers will have to pay an annual fee to offset at least a portion of the expense related to premium subsidies and tax credits to be made available to qualifying individuals purchasing health insurance coverage on the exchanges beginning in 2014.</p> <p>Fee: Industry fee of \$8 billion in 2014, increasing to \$14.3 billion in 2018, and increasing 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 coverage; Long-term care; and Stop Loss.*</p>	2-3% premium increase expected*	Ongoing 2014 and beyond
Transitional Reinsurance Contribution Program <i>Insured and self-funded plans</i>	<p>Description: Used to fund state non-profit reinsurance entities to help finance the cost of 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 benefits plans (standalone vision and dental); and Stop Loss.*</p>	1-2% premium increase is expected*	Temporary 2014-2016
Patient-Centered Outcomes Research Fee <i>Insured and self-funded plans</i>	<p>Description: Will be used to fund clinical outcomes effectiveness research.</p> <p>Fee: \$1/covered life in the plan's first year that ends on or after October 1, 2012, and before October 1, 2013; \$2/covered life for plan years ending on or after October 1, 2013 and before October 1, 2014. Fee subject to adjustment for increases in National Health Expenditures in future years. The fee is set to end in 2019.</p>	\$1-\$2 per covered life*	Temporary 2012-2019
High-Value Plan Tax <i>Insured and self-funded plans</i>	<p>Description: Fee assessed on high-premium health plans.</p> <p>Fee: Plans that annually cost more than \$10,200 (single) or \$27,500 (family) are subject to 40% excise tax on the amount above those costs. The amounts are adjusted for cost of living, age and gender, and increases to 2019 and beyond by CPI + 1%.</p>	40% excise tax on amount above allowance	Ongoing 2018 and beyond

*AFG assumption.

The Milliman/Society of Actuaries study is "Design and Implementation Considerations of ACA Risk Mitigation Programs", O'Connor, June 2012. Accessed at www.soa.org/files/research/projects/research-health-aca-rosl-mitigation.pdf
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