

Affordable Care Act

Summary of Taxes and Fees

| | Individual | Small Group (under 50 ¹) | Large Group | Self-funded | Medicare Advantage | Medicaid | Medigap |
|--|--|---|---|---|---|-----------|--------------------------|
| Federal Insurance Premium Tax ² | 2.5%-4% of Premium (PPO) 0.75%-1.5% of Premium (HMO) | 2.5%-4% of Premium (PPO) 0.75%-1.5% of Premium (HMO) | 2.5%-4% of Premium (PPO) 0.75%-1.5% of Premium (HMO) | N/A | 2.5%-4% of Premium (PPO) 0.75%-1.5% of Premium (HMO) | N/A | 0.75%-1.5% of Premium |
| Comparative Effectiveness Fee | 2013:\$1PMPY 2014:\$2PMPY 2014-2019: \$2PMPY + medical inflation | 2013:\$1PMPY 2014:\$2PMPY 2014-2019: \$2PMPY + medical inflation | 2013:\$1PMPY 2014:\$2PMPY 2014-2019: \$2PMPY + medical inflation | 2013:\$1PMPY 2014:\$2PMPY 2015 -2019: \$2PMPY + medical inflation | N/A | N/A | N/A |
| Transitional Reinsurance Program Fee | \$5.25 PMPM, subject to change in 2015 | \$5.25 PMPM, subject to change in 2015 | \$5.25 PMPM, subject to change in 2015 | \$5.25 PMPM, subject to change in 2015 | N/A | N/A | N/A |
| Exchange User Fee (if purchased on the Exchange) | 3.5% of premium | 3.5% of premium | N/A | N/A | N/A | N/A | N/A |
| Risk Adjustment Fee | \$1 PMPY | \$1 PMPY | N/A | N/A | N/A | N/A | N/A |
| Projected Total Cost based on 2013 Premiums (Expressed as PMPM) | \$12 - \$17 PPO \$9 - \$13 HMO | \$22 - \$27 PPO \$9 - \$13 HMO | \$19 - \$24 PPO \$11 - \$15 HMO | \$8 - \$10 | \$6 - \$7 | \$1 - \$3 | \$2 - \$5 |
| Excise Tax (2018) | N/A | 40% Non- deductible tax on value of plan over \$10,200 Single / \$27,500 Family | 40% Non- deductible tax on value of plan over \$10,200 Single / \$27,500 Family | 40% Non- deductible tax on value of plan over \$10,200 Single / \$27,500 Family | N/A | N/A | N/A |

- PMPM = Per member per year
 - PMPY = Per member per month
- 1) States may elect to include employers up to 100 in the exchange
 - 2) Stop-loss carrier may be required to pay tax if also issuing fully-insured plans
 - 3) Does not apply to grandfathered plans



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| Tax / Fee | Description | Calculation Method | When | Who Remits Tax / Fee |
|---|---|--|-----------------------------|---|
| Federal Insurance Premium Tax (a/k/a Health Insurance Tax – HIT) | A yearly tax assessed on fully insured premiums intended to fund premium subsidies and Medicaid expansion. (Final regulations have not been released on this tax) | Percentage of premium collected | 2014 + | Health Insurance Issuer |
| Comparative Effectiveness Fee (a/k/a Patient Centered Outcomes Research Institute Fee – PCORI) | An annual fee that funds research on the effectiveness, risks and benefits of various medical treatments through the Patient Centered Outcomes Research Institute, a nonprofit created through ACA. The fee will also be assessed on all fully-insured and self-funded plans, including health reimbursement arrangements. The fee will be from 2012 through 2019. Self-funded groups are responsible for paying the assessment and filing an annual excise tax return (Form 720) with the IRS. | PMPY Calculation | July 2013 Through July 2020 | Health Insurance Issuer for fully insured business Plan sponsor for self-insured programs |
| Transitional Reinsurance Program Fee | Quarterly fees that will support the transitional reinsurance program (pays claims between \$50,000 and \$150,000 per individual) with the goal of stabilizing premiums for coverage in the individual market, both on and off the exchange. The fee is subject to change if not enough is collected nationally. The program is temporary and runs from 2014 through 2016. | PMPM Calculation | 2014 through 2016 | Health Insurance Issuer for fully insured business Third Party Administrator for self-insured programs |
| Exchange User Fee | Fee that will be applied to all plans purchased from the Exchange, both individual and Small Business Health Options Program (SHOP). Established to ensure the Exchange can be self-sustaining by 1/1/15. Initially, the Exchange is funded by federal grants. | 3.5% of premium collected from plans purchased on the Exchange | 2014 + | Health Insurance Issuer participating and offering health plans on the state or federal Exchange |
| Risk Adjustment Fee | A fee used to develop a risk adjustment mechanism that will compensate certain plans with membership that is less healthy than average by assessing plans with membership that is healthier than average. | PMPY Calculation | 2014 + | Health Insurance Issuer for fully insured business Plan sponsor and TPA's for self-insured programs |
| Excise Tax (a/k/a Cadillac Tax) | A tax on the value or premium of a health plan that exceeds \$10,200 Single or \$27,500 Family. The tax is non-deductible as a business expense. The tax is delayed until 2018. | % of value over threshold | | Health Insurance Issuer |