

SESSION
CASES

legislativeUPDATE

January 3, 2013

New Healthcare Reform Taxes Affect Health Plan Costs

The healthcare reform law includes four new taxes and fees which will impact the cost of insured and self-funded plans going forward. The responsibility for paying the new taxes and fees will fall on both health insurers and plan sponsors. It is important for plan sponsors to understand these new taxes and fees as they will prospectively impact the cost of plans.

The four new taxes and fees expected to impact health plans are as follows:

- (2013) Patient-Centered Outcomes Research Fee (the "Comparative Effectiveness Fee")
- (2014) Transitional Reinsurance Program Contribution
- (2014) Health Insurer Fee
- (2018) High-Value Plan Tax (the "Cadillac Tax")

Research conducted suggests the typical representative employer health plan could see an immediate 4% or greater increase in premiums to pay for new healthcare reform taxes and fees. The following offers a summary for each of the four taxes/fees.

Patient-Centered Outcomes Research Institute (PCORI) Fee: Paid by insured and self-funded plans, this temporary annual fee will be used to fund clinical outcomes effectiveness research. The fee is \$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/policy years ending on or after October 1, 2013, and before October 1, 2014; and subject to adjustment for increases in National Health Expenditures in future years. For calendar-year plans, the first payment will be due by July 31, 2013 for the 2012 plan year or policy year. This temporary fee is set to end in 2019. See our Conner Strong & Buckelew [Update](#) for more information.

Transitional Reinsurance Program Contribution: Paid by insured and self-funded plans, this temporary annual fee will be used to fund state non-profit reinsurance entities to help finance the cost of high-risk individuals in the individual market. This will be an aggregate fee of \$25 billion over the three-year period of the temporary program (2014 to 2016). Contributions are based on the number of enrollees covered by the plan, including employees and non-employee beneficiaries such as spouses and dependents. HHS has proposed a national contribution rate of \$5.25 per covered life, per month for 2014, equivalent to \$63 per covered life for the year. See our Conner Strong & Buckelew [Update](#) for more information.

Health Insurer Fee: Paid by health insurers in 2014 and beyond, this annual fee will be used 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. This will be an 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. Impacted plans include all medical, dental and vision plans except Medicare Supplement; coverage for specific diseases; hospital/fixed indemnity coverage; accident/disability-only coverages; long-term care; and stop loss.

High-Value Plan Tax: Paid by insured and self-funded plans, this ongoing annual fee begins in 2018 and is assessed on high-premium health plans. Plans that annually cost more than \$10,200 (single) or \$27,500 (family) are subject to a 40% excise tax on the amount above those costs. The amounts are adjusted for cost of living, age and gender, and increases in 2019 and beyond by consumer price index + 1%.

Final regulatory rules and guidance are still to be issued on how each of these taxes and fees will be calculated and paid. We will provide updated information as to how these fees will impact plans as additional regulatory guidance becomes available.

For more information on these and other tax provisions under the Act, see the IRS [Affordable Care Act Tax Provisions](#) page which is updated as additional information becomes available. Should you have questions about any aspect of healthcare reform, contact your Conner Strong & Buckelew account representative toll free at 1-877-861-3220. For a complete list of Legislative Updates issued by Conner Strong & Buckelew, visit our online [Resource Center](#).



connerstrong.com



877-861-3220



news@connerstrong.com



Change My Preferences



INSURANCE | RISK MANAGEMENT | EMPLOYEE BENEFITS



[Click here to change your email preferences or unsubscribe from all communication.](#)