

ACA TAX & FEE INFORMATION FOR GROUPS

HM STOP LOSS

Variations and Changes Create Confusion

The Affordable Care Act (ACA) includes a number of taxes and fees that apply to carriers and groups providing coverage to their employees. Not only do these taxes and fees vary by coverage type, year(s) applicable and other factors, but changes to the legislation continue to create a complex scenario for plan advisors, group decision-makers, third party administrators (TPAs) and brokers trying to track the impact.

HM Insurance Group (HM), a national leader in Stop Loss insurance, has compiled this overview to help our producers and their clients evaluate the effect of ACA-related taxes and fees for their groups. HM also developed a calculator to help evaluate the financial impact of ACA reform measures.

Fees Impact All Coverage Types

Reform Measure	Individual	Fully Insured	Self-Funded	Stop Loss	Effective Date
Transitional Reinsurance Contribution Fee		X	X		No fee assessed beyond 2016
Annual Health Insurance Tax	X	X			1/1/14; suspended in 2017 and begins again on 1/1/18
Fee for Carrier Exchange Participation	X				2014, monthly fee proposed
Cadillac Tax		X	X		Delayed until 2020
PCORI Fee	X	X	X		Policy years ending on or after 10/1/12 and before 10/1/19
Risk Adjustment Program and Fee	X	X			1/1/14

The Transitional Reinsurance Contribution Fee, Annual Health Insurance Tax, Fee for Carrier Exchange Participation, Cadillac Tax, Patient Centered Outcomes Research Institute (PCORI) fees and the Risk Adjustment Program were part of the original ACA reform legislation. As updates to the legislation have been made, implementation dates, as well as the details for certain taxes/fees, have changed. Some are no longer applicable, while others have changed in their scope or reach. The following information is based on *HR, 2029, the Consolidated Appropriations Act, 2016*.

Fee Savings Experienced by Self-Funded Groups

Even with the recent adjustments to the years fees are applicable, self-funded groups may still see significant savings over time versus those choosing a fully insured health plan. It is important to note that self-funding isn't an option that a group should choose year-by-year. The benefits of self-funding are best seen over time as the group's trends are evaluated, addressed and managed. The following demonstrates self-funded fee savings over three years for a 500-member group.

	2016	2017	2018	Total
Fees on Fully Insured ¹	\$100,490	\$1,346	\$110,017	\$211,853
Fees on Self-Funded ²	\$14,723	\$1,346	\$1,480	\$17,549
Self-Funded Fee Savings	\$85,767	\$0	\$108,537	\$194,304

ACA Taxes & Fees Defined

When working with clients, you may receive questions about ACA-related taxes and fees and how they will impact their health plan coverage. **We have compiled simple definitions of each for your reference.**

- **Transitional Reinsurance Contribution Fee** – (No fee assessed beyond 2016) – Established to help stabilize premiums for coverage in the individual market during the calendar years of 2014 – 2016; this fee was required of all health insurance issuers and TPAs (on behalf of self-funded health plans) as payment into the program that funds payments to individual market issuers covering high-cost individuals.
- **Annual Health Insurance Tax** – (Current) – Assessed on fully insured coverage in individual, small and large group markets, this annual fee was enacted to fund some of the provisions of the ACA (i.e., providing premium subsidies or cost-sharing reductions to individuals who purchase insurance on an exchange).
- **Fee for Carrier Exchange Participation** – (Current) – In an effort to make exchanges self-sustaining, fees are charged for marketing products on an exchange; health insurance issuers who offer qualified health plans in the marketplace are responsible for paying this fee and are likely to allocate the cost to premiums on individual plans.
- **Cadillac Tax** – (Delayed until 2020) – The ACA requires that health insurance issuers and self-funded plans pay a 40 percent tax on annual premiums that exceed defined thresholds for single and family coverage; the tax will be used to generate revenue to finance health care reform and will be tax deductible when implemented.
- **PCORI Fee** – (For policy years ending on or after 10/1/12 and before 10/1/19) – This fee was designed to help fund evidence-based research; the funds collected are meant to be used in helping people make informed decisions about health care.
- **Risk Adjustment Program and Fee** – (Current) – This program was designed to protect against adverse selection in the individual and small group markets – inside and outside of public exchanges – and helps to spread financial risk across the markets by determining a plan's actuarial risk based on enrollee risk scores. Essentially, under this program, there is a transfer of funds from issuers with lower risk members to issuers with higher risk members.



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This information is based on HM's current interpretation of the regulations as they stand on the date of publication of this document. The material is offered for informational purposes only. It is not intended to provide legal or tax advice.

¹ Assumes \$400 per member per month with 10% increase at renewal; assumes all fees apply as currently enacted (effective date 1/1/2016).

² Assumes all fees apply as currently enacted.

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