

A summary of taxes and fees assessed by the Affordable Care Act

One of the most commonly-asked questions regarding health reform is, “how are we going to pay for all of this?” Unfortunately, the answer is “taxes.”

Under the Affordable Care Act, five new taxes and fees will be added to the purchase of health insurance. The rules, timing and amounts vary, so we’re providing a summary for your convenience.

The five taxes and fees include:

- 1 **Annual fee on health insurance carriers** – This annual fee will be assessed on all fully-insured health plans based on premium. (Note: Final regulations have not been released on this fee.)
- 2 **Transitional Reinsurance Program** – Fees collected from all commercial plans (fully- and self-funded) sold both on and off the exchange and in both the group and the individual markets. This will be used to pay for high-cost claimants insured in the individual market throughout the country. The program is temporary and is assessed on all plans beginning Jan. 1, 2014 through 2016.
- 3 **Risk Adjustment Admin Fee** – A fee used to develop a risk adjustment methodology that will compensate certain plans with membership that is less healthy than average by assessing plans with membership that is healthier than average. This fee is assessed on all individual and small group policies.
- 4 **Patient-Centered Outcomes Research Institute (PCORI) Fee** – This fee will fund the PCORI, which conducts comparative effectiveness research. The fee will also be assessed on all fully-funded and self-funded plans including health reimbursement arrangements (HRAs). The fee will be assessed from 2012 through 2019. Self-funded employer groups are responsible for paying this assessment and filing an annual excise tax return (Form 720) with the IRS.
- 5 **Exchange User Fee** – Applied to all plans purchased on the exchange – both individual and Small Business Health Options Program (SHOP).

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Here's what these fees look like against 2013 average premiums.

	Self-Funded	Small Group	Large Group	Individual	Medicare Advantage	Medicaid	Medigap
Annual Fee on Health Insurance Carriers*	N/A	2.5%-4.0% of premium (PPO) 0.75%-1.5% of premium (HMO/POS)				N/A	0.75%-1.5% of premium
Transitional Reinsurance Program	\$5.25 PMPM for all plans beginning Jan. 1, 2014 However, the fee is subject to change if not enough is collected nationally.				N/A		
Risk Adjustment Admin Fee**	N/A	\$1 PMPY	N/A	\$1 PMPY	N/A		
Patient-Centered Outcomes Research Institute Fee	2013: \$1 PMPY 2014: \$2 PMPY 2015-2019 \$2 PMPY + medical inflation				N/A		
Exchange User Fee	N/A	3.5% of premium	N/A	3.5% of premium	N/A		
Projected total cost based on 2013 premiums (reflected as a per member per month amount)^	\$8-10	\$22-27 PPO \$9-13 HMO	\$19-24 PPO \$11-15 HMO	\$12-17 PPO \$5-13 HMO	\$6-7	\$1-3	\$2-5
If purchased on Exchange		+3.5%		+3.5%			

PMPM = per member per month

PMPY = per member per year

* Final regulations are pending. Information noted is based on preliminary rules.

** Does not apply to grandfathered plans.

^ Projected PMPM costs are based on fees assessed in 2014. These amounts are expected to increase.

For more information about health care reform, please contact your agent or Priority Health account representative.