



New Health Care Reform Fees

The Patient Protection and Affordable Care Act (PPACA) places new fees on certain health insurers and self-funded group health plans. HealthSmart is prepared to assist you in calculating fees owed with respect to your health plan(s). This communication is intended to provide you with a summary of the new fees and how they are calculated and paid.

PCORI Fees

PPACA created the Patient-Centered Outcomes Research Institute, which will be funded partially by fees paid by certain health insurers and self-funded employee health plans. For plan years ending after September 30, 2012, group health plans must pay a fee of \$1.00 per covered life per year. For plan years ending October 1, 2013 through September 30, 2014, the fee adjusts to \$2.00 per covered life. The fee amount will continue to be adjusted thereafter until it ends in 2019.

➤ Which health plans are subject to the PCORI Fee?

- **Self-insured arrangements** established or maintained for employees or former employees, including Multiple Employer Welfare Arrangements (MEWAs), accident and health coverage provided to active employees, former employees or qualifying beneficiaries under COBRA.
- **Fully-insured health and accident policies** (including a policy under a group health plan), prepaid health coverage arrangements, accident or health policy covering active and former employees and policies that cover qualified beneficiaries on COBRA or continuation coverage under state law.
- **Governmental entities**, unless the plan qualifies as an “exempt governmental program” (i.e., insurance and medical assistance programs under the Social Security Act, and programs under federal law providing medical care to individuals in the armed services or members of Indian tribes).

➤ How is the PCORI Fee Calculated?

Self-funded plans have a choice to use any of the following three methods:

- **Actual Count Method** – The average number of covered lives can be calculated under the plan for the plan year by calculating the sum of the lives covered for each day of the plan year and dividing that sum by the number of days in the plan year.
- **Snapshot Method** – The average number of covered lives is calculated by adding the total of lives covered on one date in each quarter, or an equal number of dates for each quarter, and dividing the total by the number of dates on which a count was made.
- **Form 5500 Method** – The average number of covered lives is calculated based on a formula that includes the number of participants actually reported on the Form 5500 for the plan year.

Under this method, the total number of lives is determined by adding the participant counts at the beginning and end of the year.

➤ **How is the PCORI Fee Paid?**

Fees are to be reported and paid once a year. They are reported on IRS Form 720 (Quarterly Federal Excise Tax Return).

Reinsurance Fees

PPACA established a transitional reinsurance program in each state from 2014 through 2016. In order to fund the transitional reinsurance program, HHS will collect contributions from all health insurance issuers and self-insured group health plans beginning in late 2014. For the 2014 benefit year, contributing entities must submit their enrollment counts to HHS by November 15, 2014. HHS will invoice each contributing entity based on its enrollment count within 30 days, or by December 15, 2014, whichever is later. The contributing entity will then have 30 days to remit the contribution.

➤ **What is the contribution amount?**

Based on HHS's estimate of the number of enrollees in the plan that must make reinsurance contributions, the national reinsurance contribution rate is \$63.00 per enrollee per year for 2014. The contribution will be calculated by multiplying the number of enrollees for all of the contributing entity's plans and coverage that are required to pay reinsurance contributions by the national contribution rate for the applicable benefit year.

➤ **What type of coverage is subject to the contribution requirement?**

Major Medical Coverage – This includes health coverage for a broad range of services and treatments, including diagnostic and preventive services, as well as medical and surgical conditions.

➤ **Who is responsible for making reinsurance contributions?**

The contributions are only required for coverage that is “major medical coverage.” As such, the following groups are subject to the reinsurance fee:

- Health insurance issuers
- Self-insured group health plans
- Retirees and former employees are only subject to the fee to the extent their employer-provided coverage is primary to Medicare (based on Medicare Secondary Payer rules)
- COBRA beneficiaries are counted for purposes of the fee to the extent the plan provides major medical coverage

➤ **How do self-funded group health plans determine the number of covered lives for purposes of the contribution amount?**

Covered lives should be counted on a calendar year basis regardless of whether the plan maintains a non-calendar year plan. To calculate the actual number of reinsurance contribution enrollees for a benefit year, self-funded group health plans have a choice to use any of the same three methods used to calculate the PCORI fees described above (Actual Count Method, Snapshot Method, and Form 5500 Method).

HealthSmart is committed to assisting your health plan to calculate its required fee amount for both the PCORI fee and the Reinsurance Fee. A report has been developed that includes the fee calculation for your health plan using each of the three calculation methods (Actual Count Method, Snapshot Method, and Form 5500 Method). For more information, please contact your Account Executive.

Sincerely,

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