



ACA taxes and fees

General information

Several taxes and fees are included in the Affordable Care Act (ACA) that directly affect health issuers (e.g., Fallon Health) and health plan sponsors (e.g., employers) and are likely to also affect health plan members. These taxes and fees are intended to compensate for some of the additional costs and marketplace changes imposed by the ACA. Fallon has prepared this brief summary of relevant taxes and fees as a general informational overview and as such it should not be construed as legal, compliance or tax advice. Please consult with your legal and/or tax advisor for guidance.

The basics

On the next page, Fallon has provided an overview of the following ACA taxes and fees so you can better understand their impact:

- Annual Fee on Health Insurance Providers
- Patient Centered Outcomes Research Institute Fee
- Transitional Reinsurance Fee
- Excise Tax on High Cost Health Insurance (Cadillac Tax)

In addition to the taxes and fees listed above, the ACA and Massachusetts legislation also imposed additional assessments that could directly—or indirectly—impact claims and/or premium costs should they be added to the cost of covered services/devices:

- **Medical Device Manufacturer Tax**—an annual excise tax on the sale of medical device manufacturers and/or importers to help offset costs associated with national health care reform.
- **Pharmaceutical Industry Fee**—an annual fee assessed upon certain pharmaceutical manufacturers and/or importers to help offset costs associated with national health care reform.
- **Various other assessments**—such as fees to support the operational and administrative costs of the state exchange; fees to administer a risk adjustment program that is intended to spread financial risk/reduce premium disparity in the individual and small group market.

What you need to know

For your convenience, Fallon has outlined important details about the taxes and fees listed above in the chart on the next page.

Questions?

Call Fallon Health at 1-800-333-2535 or visit fallonhealth.org/reform if you have additional questions.



What are the ACA taxes and fees and how are Fallon plans affected?

Tax/Fee/ Assessment	Brief description	Projected financial impact	Effective date(s)	Permanent or Temporary	Who is affected?	What Fallon is doing
Annual Fee on Health Insurance Providers	<p>Imposes an annual fee on entities engaged in the business of providing health insurance (e.g., Fallon).</p> <p>Amounts collected will fund premium subsidies for low income individuals and families who purchase health insurance through an exchange, and will fund Medicaid expansion.</p>	<p>Approximately 1% of Fallon collected premium.</p> <p>Nationwide, \$8 billion was assessed in 2014, increasing steadily to \$14.3 billion in 2018</p>	January 1, 2014 for preceding calendar year.	Permanent (Suspended for 2017)	Fully insured plans in the individual, small group, large group, Medicare & Medicaid markets	<p><u>Fully insured clients</u> – Fallon will collect (as part of the premium) and remit the fee.</p> <p><u>Self-funded clients</u> - not subject to this fee.</p>
Patient Centered Outcomes Research Institute Fee (PCORI Fee; also called the "Comparative Effectiveness Research Fee")	<p>Imposes an annual fee on fully insured and self-funded health plans.</p> <p>Amounts collected are intended to fund research to evaluate the benefits, effectiveness and risks of various medical treatments and services.</p>	<p>\$2.08 per member per year for policy years ending between October 1, 2014 and September 30, 2015.</p> <p>\$2.17 per member per year for policy years ending between October 1, 2015 and September 30, 2016.</p> <p>Amounts increase by an inflationary factor thereafter. Fully-insured plans with HRA offering are subject to two separate fees.</p>	Policy and plan years ending on or after October 1, 2012, and before October 1, 2019.	Temporary "Sunsets" on October 1, 2019	<p>Fully insured plans in the individual, small & large group markets.</p> <p>Self-funded plan sponsors, including HRA plan sponsors.</p>	<p><u>Fully insured clients</u> – Fallon will collect (as part of the premium) and remit the fee, as well as Form 720 to the IRS.</p> <p><u>Self-funded clients</u> – Plan sponsor is responsible for filing Form 720 and remitting the fee directly to the IRS.</p>
Transitional Reinsurance Fee	<p>Imposes an annual fee on fully insured and self-funded health plans.</p> <p>Amounts collected are intended to fund a temporary national reinsurance program intended to stabilize premiums in the individual health insurance market.</p>	<p>\$44 per member per year (\$3.67 per member per month) for 2015. \$27 per member per year (\$2.25 per member per month) for 2016.</p>	January 1, 2014	Temporary "Sunsets" after 2016	<p>Fully insured plans in the small & large group markets.</p> <p>Self-funded plan sponsors.</p>	<p><u>Fully insured clients</u> – Fallon will collect (as part of the premium) and remit the fee.</p> <p><u>Self-funded clients</u> – Plan sponsor is responsible for filing appropriate forms and remitting fee.</p>
Excise Tax on High Cost Health Insurance (the "Cadillac Tax")	<p>Imposes an annual fee on high cost health plans if the value of health insurance benefits exceeds a certain threshold. The estimated thresholds are \$10,200 for individual coverage and \$27,500 for family coverage. But they may change prior to implementation based on medical cost trend.</p> <p>Amounts collected are intended to fund various provisions of the ACA.</p>	Tax will be assessed at 40% of the health plan costs that exceed the threshold amounts.	This provision was originally scheduled to take effect January 1, 2018, but has been delayed until January 1, 2020.	Permanent	<p>Fully insured plans in the small & large group markets.</p> <p>Self-funded plan sponsors.</p>	<p><u>Fully insured clients</u> – Fallon will collect (as part of the premium) and remit the fee.</p> <p><u>Self-funded clients</u> – Plan sponsor is responsible for filing appropriate forms and remitting fee.</p>