

FEES AND TAXES FACT SHEET



INFORMED ON REFORM

Overview

Insurers and health plans will be required to pay new fees and taxes that are intended to help fund the implementation of the Affordable Care Act (ACA).

Comparative Effectiveness Research fee (CERF)

The ACA established the Patient-Centered Outcomes Research Institute (PCORI) to fund and conduct research that determines the effectiveness of various forms of medical services that treat, manage, diagnose or prevent illness or injury. The work of PCORI is partially funded by a fee on health insurers and self-funded group health plans.

Excise “Cadillac” tax

This 40% tax on high-cost employer medical plans has been delayed from the original effective year of 2018 to 2022. Proposed regulations are still pending and there are many open issues. For more information, visit <http://www.cigna.com/health-care-reform/cadillac-tax>.

Health Insurance Industry fee

This fee on health insurers (including HMOs) starts at \$8 billion in 2014 and increases year over year before reaching \$14.3 billion in 2018. After 2018, it will continue to increase with premium growth. The fee, which applies only to insured business, will be based on each insurer’s share of the taxable health insurance premium base (among all health insurers of U.S. health risks). This fee was suspended for both 2017 and 2019.

Reinsurance fee

This fee on health plans totals \$25 billion, which was collected over the three-year period from 2014 through 2016, and sunset after the final payments were made in 2017. The majority of the money was used to fund a reinsurance program and intended to lessen the impact of adverse selection in the individual market. The fee applied to both insured and self-funded commercial major medical plans. For an insured plan, the fee was the responsibility of the health insurer. For a self-funded plan, the fee was the employer’s responsibility.

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The following chart provides an overview of the two active ACA fees.

	COMPARATIVE EFFECTIVENESS RESEARCH FEE	HEALTH INSURANCE INDUSTRY FEE
What it is/ fee duration	Annual fee on insured and self-funded health plans until 2019	Permanent, annual fee on health insurers beginning in 2014 (suspended in 2017 and 2019)
Purpose	Fund comparative effectiveness research	Help fund federal and state Marketplaces/Exchanges
Amount	<ul style="list-style-type: none"> Applies for plan years beginning on or after 10/2/2011 First payments were due 7/31/2013 and continue through 9/30/2019, with the last payment due 7/31/2020 Initial annual fee began at \$1 per participant, including dependents, and are indexed to national health expenditures; For current fees, please review the CERF Payment/Due Date Grid, at www.cigna.com/assets/docs/about-cigna/informed-on-reform/cigna-cerf-fee-periods-schedule.pdf 	<ul style="list-style-type: none"> \$8 billion in 2014 Increases each year to \$14.3 billion in 2018 Increases with premium growth after 2018 Allocated to insurers based on prior year's share of total earned premium
Who pays	<ul style="list-style-type: none"> Insured: Insurers Self-funded: Employers; insurers are not allowed to pay or calculate 	<ul style="list-style-type: none"> Insured: Insurers
Tax implications	Tax deductible	Tax deductible for employers as part of premium
Estimated cost impact	<ul style="list-style-type: none"> \$1 per member per year (PMPY) in first year Increases in future years 	<ul style="list-style-type: none"> 2%-2.5% of premium in 2014 Increasing to 2.5%-3% of premium in 2018 and future years, when in effect
Business affected	<ul style="list-style-type: none"> Insured individual and group medical plans Self-funded group medical plans Stand-alone, insured, behavioral health plans Limited medical plans (also known as voluntary plans) Individuals on a temporary U.S. Visa who live in the U.S. Medicare Surround and Medicare Expand policies Retiree only plans for post-65 retirees where Medicare is the primary payer Health Reimbursement Accounts (HRAs) Flexible Spending Accounts (FSAs) if the employer contribution is > \$500 and than the employee contribution <p>Excludes:</p> <ul style="list-style-type: none"> U.S.-issued expatriate plans Exempt FSA plans Medicare Parts A-D coverage Medicaid coverage Health Savings Accounts (HSAs) Stand-alone dental and vision plans Employee Assistance Plans (EAPs) 	<ul style="list-style-type: none"> Insured individual and group medical plans Stand-alone: insured dental and vision plans, behavioral health and pharmacy plans Medicare Advantage plans Retiree-only plans Part D prescription benefit plans Medicaid (and CHIP) programs Taft-Hartley Plans to the extent the plans meet the other criteria for inclusion <p>Excludes:</p> <ul style="list-style-type: none"> Self-funded employer sponsored group health plans* Nonprofit corporations that receive more than 80% revenue from government sponsored poverty programs (Medicaid, CHIP) and comply with certain restrictions on political activity VEBAs established by a union or collective bargaining agreement Medicare supplemental coverage that meets the requirements of section 1882(g)(1) Coverage for specific diseases or hospital indemnity coverage Accident only coverage ASO/Stop-loss Employee Assistance Plan (EAP), disease management programs and wellness programs that do not provide significant health insurance benefits U.S.-issued expatriate plans after 2015

* Some benefits may be covered under an insured plan and therefore subject to this fee as well.

