Taxes and Fees

Patient-Centered Outcomes Research Institute Fee, Transitional Reinsurance Fee, Insurer Fee and Excise Tax on High-Cost Coverage

Taxes and fees under the health reform law impact both fully insured and self-funded plans. But, they impact funding types differently.

Overview
Employers with self-funded health plans submit applicable health reform fees directly to the government, and those with fully insured health plans will see fees prorated into their premiums. The fees are prorated over 12 months. Here is what you need to know about these fees and how they will impact your business.

About Each Fee
The Patient Centered Outcomes Research Institute (PCORI) Fee affects fully insured and self-funded plans. The fee funds research that evaluates and compares health outcomes, clinical effectiveness, and risks and benefits of medical treatments.

- Effective 2012-2019, health insurance issuers and employers sponsoring self-funded group health plans are subject to the per-member-per-year fee. In its second year, the fee increased from $1 to $2 per member per year. In the third year, the fee rises to $2.08 per member per year. The PCORI Fee is indexed to medical inflation thereafter.
- The fee is assessed on all members. That means all covered lives – employees, retirees, spouses and dependents.
- In the case of fully insured coverage, UnitedHealthcare is responsible for the PCORI Fee. The nominal fee is rolled into the premium.
- It’s important to note that if a fully insured customer also has a Health Reimbursement Account (HRA), the customer (or other plan sponsor) is responsible for paying the PCORI Fee and filing the Form 720 with the Internal Revenue Service (IRS) on behalf of the HRA. This is because the HRA is funded by the employer. The PCORI Fee is paid twice in this situation: once by the health insurance issuer and once by the self-funded plan sponsor (“double counting”).
- As the plan sponsor, self-funded customers must file Form 720 and pay the PCORI Fee directly to the IRS. If a customer has a self-funded medical plan and an HRA, the IRS provides relief from double counting and the same member is counted only once. Third parties may not pay the fee or file the Form 720 on behalf of self-funded plans.
- The IRS provides several counting methods to determine membership. While self-funded customers are in a better position than UnitedHealthcare to determine their membership counts, most customers can find a membership by month report on Employer eServices to calculate covered lives using the Snapshot or Snapshot Factor method. It is in the self-funded customer’s interest to count and compare its membership counts using the multiple methods.
- The fee is due by July 31 of the calendar year immediately following the last day of the plan year.

The Transitional Reinsurance Fee impacts both fully insured and self-funded plans. The fees are distributed to health insurance issuers in the non-grandfathered individual market that disproportionately attract individuals at risk for high medical costs. The intent is to spread the financial risk across all issuers to provide greater financial stability.

- The Reinsurance Fee is temporary and is collected annually for years 2014-2016.
• The Reinsurance Fee is assessed on employees, spouses and dependents for the first nine months of the calendar year regardless of plan year or renewal date.

• For fully insured plans, UnitedHealthcare will collect the Reinsurance Fee through premium rates. Self-funded plans are responsible for submitting enrollment counts and paying the fee.

• In 2014, the fee was $5.25 per member per month or $63 per member per year. In 2015, the fee is $3.67 per member per month or $44 per member per year. In 2016, the amount is $2.25 per member per month or $27 per member per year.

• Issuers and self-funded plans will submit the number of covered lives to the Department of Health and Human Services (HHS) by Nov. 15 using a form on www.pay.gov. They will also submit payment information and a payment date (choose to pay in full on Jan. 15 or two installments paid by Jan. 15 and Nov. 15 of the same year) for the Reinsurance Fee contributions using this site. The form will auto-calculate the contribution amounts, and the payment will be automatically deducted from the designated account on the dates selected.

• Most self-funded customers can find a monthly membership report on Employer eServices to calculate covered lives using the Snapshot method. Also, in early October 2015, UnitedHealthcare will provide, free of charge, a membership count for the Reinsurance Fee to self-funded customers using both the Snapshot Count and Snapshot Factor methods. Be sure to compare these with each other and the other counting methods (Actual Count and, for our ERISA customers, the Form 5500 method). Ultimately, the customer decides the method to calculate its membership and determine the amount owed.

• The health reform law specifies the amounts of the Reinsurance Fee that must be collected: $12 billion in 2014, $8 billion in 2015 and $5 billion in 2016, totaling $25 billion.

The Insurer Fee, also called the Health Insurance Tax, applies to health insurance issuers and impacts fully insured customers only. The fee will fund premium tax subsidies for low-income individuals and families who purchase insurance through Health Insurance Marketplaces also called Exchanges.

• The Insurer Fee is an annual, permanent fee beginning in 2014.

• The fee totaled $8 billion in 2014, increasing to $14.3 billion in 2018, and increasing by the rate of premium growth thereafter. The amount is determined by the market share of the health insurance issuer.

• Industry sources have estimated the impact of the fee to be about 3 percent in 2015. The Insurer Fee is included in the premium of fully insured plans.

• It also applies to limited scope vision and dental, including pediatric dental plans offered through the Marketplaces.

The Excise Tax on High-Cost Coverage (also called the Cadillac Tax) is not effective until 2018. Regulations have not yet been issued and there is a high degree of uncertainty surrounding this tax. It imposes a 40 percent excise tax on the value of health insurance benefits exceeding a certain threshold. The thresholds are $10,200 for individual coverage and $27,500 for family coverage (indexed to inflation).

UnitedHealthcare is concerned with the impact of the Cadillac Tax on group health plans, is monitoring the rulemaking and will keep our customers informed.

A Footnote for Fully Insured Plans
A footnote acknowledging the Transitional Reinsurance and Insurer Fees appears on 2-50 quotes and renewal packages, and on 51+ quotes and renewal rate exhibits. The footnote will not appear on invoices. Fully insured large groups’ (100+) renewals will have taxes and fees shared as line items on rate justifications.

Financial Impact
For fully insured customers, the cumulative impact of health reform fees in 2014, based on the government rule and industry analysis, shows an increase in premium of about 4 percent. In 2015, the impact of the fees remains at about 4 percent. For self-funded plan sponsors, it is about $5 per member per month, and in 2015, the impact is about $4 per member per month.