

Taxes and Fees

Overview

The Affordable Care Act (ACA) imposed several taxes and fees on both insured and self-funded plans. It's important to understand each one, because they impact the cost of plans. By doing so, you can better plan for the expected impact.

Here are four ACA-mandated taxes and fees that impact health plan(s):

- Health Insurance Providers Fee (HIF also known as Health Insurer Fee or HIF) (repealed on December 20, 2019)
- Patient-Centered Outcomes Research Institute Fee (PCORI, also known as the "Comparative Effectiveness Fee") (extended through 2029)
- High-Value Plan Tax (also known as the "Cadillac Tax") (delayed to 2022, repealed on December 20, 2019)
- Transitional Reinsurance Program Contribution (RC) (This fee was phased out in 2017)

Following is a brief summary of the four taxes and fees.

Health Insurance Providers Fee (HIF)

Insured Plans Only

Description: Health insurers were required to pay an annual fee to offset at least a portion of premium subsidies and tax credits for qualifying individuals purchasing coverage on the public exchanges.

Fee: Industry fee of \$8 billion in 2014, increasing to \$14.3 billion in 2018. It was set to increase each year thereafter at the rate of premium growth.

Impacted products: All medical, dental and vision plans except: Medicare Supplement; Coverage for specific diseases; Expatriate Health Coverage; Hospital/Fixed indemnity coverage; Accident/Disability-only overages; Long-term care; and Stop Loss.

Time period: Originally: 2014 and beyond. The HIF was suspended in calendar year 2017 and reinstated for calendar year 2018. A stop gap spending bill enacted on January 22, 2018 included suspension of the HIF for calendar year 2019. The Further Consolidated Appropriations Act, 2020, Division N, Subtitle E § 502, signed into law on December 20, 2019, repealed the annual fee on health insurance providers for calendar years beginning after December 31, 2020 (fee years after the 2020 fee year). As a result of the repeal, 2020 was the last fee year.

Who pays? Health insurers were required to pay the fee. The Secretary of the U.S. Treasury Department, through the IRS, determined the amount due by each health insurer and billed them annually. The total annual fee was allocated to each insurer based on its share of aggregated affected premiums.

When is the payment due? Insurers were required to pay the federal government annually, by no later than September 30 of each year.

Patient-Centered Outcomes Research Institute Fee (PCORI)

Insured and self-funded plans

Description: Health insurers and self-funded plan sponsors must pay an annual fee to fund clinical outcomes effectiveness research.

Fee: The Fee is equal to the average number of lives covered during the policy or plan year multiplied by the applicable dollar amount for the year. For policy and plan years ending after Sept. 30, 2017 and before Oct. 1, 2018 PCORI fee is \$2.39; after Sept. 30, 2018 and before Oct. 1, 2019 it is \$2.45; on or after October 1, 2019 and before October 1, 2020 it is \$2.54.

Time period: Originally: 2012 to 2019; Extended for 10 years – through 2029. The Further Consolidated Appropriations Act, 2020 (Pub. L. 116-94), signed into law on December 20, 2019, has extended the Patient-Centered Outcomes Research Trust Fund fee imposed by Internal Revenue Code sections 4375 and 4376 for 10 years. As a result of this extension, the Patient-Centered Outcomes Research Trust Fund fee will continue to be imposed through 2029.

Who pays? For insured plans, the health insurance issuers are responsible. For self-funded plans, the plan sponsors are responsible.

When is the payment due? The IRS treats this fee as an excise tax. A federal excise tax return (form 720) must be filed by July 31 of the year after the policy or plan year ends. For example, if the last day of the plan year is October 31, 2018, form 720 needs to be filed by July 31, 2019.

High-Value Plan Tax (also known as the "Cadillac Tax") – delayed to 2022

Insured and self-funded plans

Description: Tax on high-value health plans, measured by premium (insured) or COBRA equivalent rates (self-funded) cost.

Fee: Plans with premiums of more than \$10,200 (single) or \$27,500 (family) were going to be subject to a 40 percent excise tax on the amount above those costs. The amounts were to be adjusted for cost of living, age and gender and in 2019 were subject to increase by CPI + 1 percent and in 2020 and beyond by CPI.

Time period: A stop gap spending bill enacted on January 22, 2018 included further delay of the Cadillac Tax. This excise tax was initially scheduled to be implemented in 2018. Barring further action by Congress and the President, the tax is now scheduled to begin impacting health coverage in 2022. The [Further Consolidated Appropriations Act, 2020 H.R. 1865 \(Pub.L.116-94\)](#) was signed into law December 20, 2019. The act repealed Internal Revenue Code Section 4980I, the excise tax on high cost employer-sponsored health coverage.

Who pays? The health insurer pays the excise tax for insured plans. The plan sponsor pays for self-funded plans.

When is the payment due? The excise tax on high cost employer-sponsored health coverage was repealed on December 20, 2019.

Transitional Reinsurance Program Contribution (RC) – phased out in 2017 ***Insured and self-funded plans***

Description: Health insurers and self-funded plan sponsors were required to fund the Transitional Reinsurance Program in effect from January 1, 2014 through December 31, 2016. This program was created to stabilize premiums and to fund payments to individual market issuers covering high-cost individuals.

Time period: Temporary; RC was in effect from 2014 to 2016

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