

The Evolution of the ACA...continues

*Health and Human Services (HHS)
expanded powers and fees*

\$63 per head ACA Reinsurance Fee Now Revealed in HHS Regulations

Continuing to keep you informed on new developments under Health Care Reform, IAA is working through 337 pages of the latest regulations on reinsurance issued on December 7, 2012. Embedded in the proposed regulations on reinsurance programs which require contributions by health insurers and self-funded group health plans are new fees. These fees are designed to stabilize premiums for coverage in the individual market from 2014 to 2016. The fees are assessed to help cover the Federally Facilitated Exchange administrative costs.

The contribution by plans, including self-funded plans, will be based on the requirement that the fund raise \$12 billion for 2014 (\$10 billion for the reinsurance program and \$2 billion for the U.S. Treasury). Each year the fees will be reduced, so in 2015 it will be \$8 billion and in 2016 \$5 billion.

The Health and Human Services (HHS) proposed guidelines make several changes from the original regulations issued earlier in the year. For example, rather than quarterly contributions to be collected by the states, the amount will be collected by HHS annually at a rate of **\$63 per covered life per year or (\$5.25 per month)**. The requirement to pay the fee will be assessed on fully insured plans for major medical coverage and insurers are liable for paying the contributions. Self-funded plans are liable for the contributions. IAA will help facilitate this process for our clients. HHS will collect all the fees, rather than the state as previously proposed. This is notable because where states operate their own reinsurance

program they were originally going to collect the fees themselves.

This issue is raising great concern for employers who self-fund their health benefits due to the additional cost associated with this fee which will be based on the number of covered lives in the plan, starting in 2014. By November 2014, HHS will notify each plan of the amount they must pay by December 15, 2014. The fees must be remitted within 30 days and failure to pay will subject the entity to federal penalties. Given the financial impact of the fees associated with ACA, this is an important issue and a surprise to many. A good budgeting tool would be to accrue this fee each month based on enrollment estimates or actual monthly count you see on the IAA reports.

MOST important!!! . ACA is the biggest extension of law in US history. Regulations are coming pretty rapidly now. We are learning of many more fees for a program that was suppose to save money for all. Watch for the fiscal cliff resolution as taxes will increase for everyone. Add to those increased taxes the following related to ACA:

New taxes that WILL happen (no matter what fiscal deal is made):

Five (5) new taxes in the actual ACA law will take effect January 1. Many are not on health plans, but part of the health "atmosphere". They aren't small; estimated to total \$1 Trillion over the next 10 years.

- The tax medical deduction minimum (trigger before being tax deductible) will jump from 7.4% to 10% of adjusted gross income (AGI). This means much less high-deductible and co-pay amounts paid out of pocket will be a tax deduction.
- Pre-tax flex spending accounts will be limited to \$2,500 input per year.

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- 3.8% surtax will be added to all investment income (interest, dividends, cap. gains, annuity withdrawals, passive rent, and royalties) on people over \$200k individual or \$250k family income. This is sometimes called the Medicare tax to subsidize ACA. (This would be **IN ADDITION** to any increases in capital gains tax in the end of the Bush cuts or fiscal cliff deals.)
- The Medicare payroll tax will jump to 3.8% for wages & profits exceeding \$200k.
- Medical device sales prices will have a 2.3% excise tax added, and that is expected to be passed along to customers.

Fiscal cliff and any “solution” reminder: Reinstating the 2% payroll tax for Social Security and/or the 0.9% Medicare payroll tax, or adding the 3.8% Medicare payroll tax and/or other things that are actually the responsibility of the employee/individual.....means employers will need to recalculate the payroll withholding (or whatever else a “solution” might

trigger) for each employee, taking into account the specific situation of each worker.

Please contact IAA if you have questions or would like a current timeline of ACA.

Send a note to your Congressman and Senator concerning ACA. They need to hear from all of us.

Stay Healthy!

Paul Kelly, President

This information is not intended to be legal advice. Talk to your tax attorney for details on the laws impact on you or your business.

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