



FEES AND TAXES

Are there additional fees and taxes employers need to watch and manage?

The Affordable Care Act (ACA) established many fees and taxes to help fund and create dollars for expanded programs and services. Employers are responsible for some of these, whether they will directly pay new fees and taxes or administer payments through employee tax with-holdings.

Comparative Effectiveness Research Fee (CERF), or Patient Centered Outcomes Research Institute Fee (PCORI)

This annual fee applies to insured and self-insured health plans with plan years beginning on or after October 2, 2011. The annual fee will partially fund research and evaluations performed by the Patient-Centered Outcomes Research Institute (PCORI), which is intended to determine the effectiveness of various forms of medical services that treat, manage, diagnose or prevent illness or injury.

Insurers will pay the fee on insured plans and will build the fee into their rates. Employers will be responsible for paying the fee on self-insured plans.

When?

- This applies for health plan years beginning on or after 10/2/11
- First payments were due 7/31/2013
- Originally scheduled to end in 2019, with final payments due in 2020, the Further Consolidated Appropriations Act of 2020 extended CERF for 10 years through 2029.

How Much?

- Initial annual fee of \$1 per covered life
- For current fees, review the CERF Payment/Due Date Grid on the following page

How to Pay?

- Tax is self-reported on Excise Tax Form 720



For CERF payments, ERISA plan year is key. If your ERISA plan year and renewal date are different, use the ERISA plan year to calculate your fee per covered life and payment due date.

Fee due July 31, 2013

PLAN YEAR START DATE	FEE PER AVERAGE COVERED LIFE
Nov. 1, 2011–Jan. 1, 2012	\$1.00

Fee due July 31, 2014

PLAN YEAR START DATE	FEE PER AVERAGE COVERED LIFE
Feb. 1, 2012–Oct. 1, 2012	\$1.00
Nov. 1, 2012–Jan. 1, 2013	\$2.00

Fee due July 31, 2015

PLAN YEAR START DATE	FEE PER AVERAGE COVERED LIFE
Feb. 1, 2013–Oct. 1, 2013	\$2.00
Nov. 1, 2013–Jan. 1, 2014	\$2.08

Fee due July 31, 2016

PLAN YEAR START DATE	FEE PER AVERAGE COVERED LIFE
Feb. 1, 2014–Oct. 1, 2014	\$2.08
Nov. 1, 2014–Jan. 1, 2015	\$2.17

Fee due July 31, 2017

PLAN YEAR START DATE	FEE PER AVERAGE COVERED LIFE
Feb. 1, 2015–Oct. 1, 2015	\$2.17
Nov. 1, 2015–Jan. 1, 2016	\$2.26

Fee due July 31, 2018

PLAN YEAR START DATE	FEE PER AVERAGE COVERED LIFE
Feb. 1, 2016–Oct. 1, 2016	\$2.26
Nov. 1, 2016–Jan. 1, 2017	\$2.39

Fee due July 31, 2019

PLAN YEAR START DATE	FEE PER AVERAGE COVERED LIFE
Feb. 1, 2017–Oct. 1, 2017	\$2.39
Nov. 1, 2017–Jan. 1, 2018	\$2.45

Fee due July 31, 2020

PLAN YEAR START DATE	FEE PER AVERAGE COVERED LIFE
Feb. 1, 2018–Oct. 1, 2018	\$2.45
Nov. 1, 2018–Jan. 1, 2019	TBD (Amount increases by rate of Medical inflation.)



Health Insurance Industry Fee

The Health Insurance Industry Fee is a fee on health insurers (including HMOs) that started at \$8 billion in 2014 and continues to increase annually until it reaches an estimated \$14.3 billion in 2018. After 2018, it will increase with premium growth. This is one of several fees intended to help fund implementation of the Affordable Care Act (ACA). The fee applies only to insured business, and will be based on each insurer's share of the taxable health insurance premium base (among all health insurers of U.S. health risks).

In December 2015, the fee was suspended for 2017. It was reinstated for 2018, but suspended again for 2019 as a result of changes made in the Jan 22, 2018 short-term federal spending bill.

The fee is in effect in 2020, then fully repealed and will no longer exist in and after 2021.

HEALTH INSURANCE INDUSTRY FEE	
What it is	Permanent, annual fee on health insurers beginning in 2014 (suspended for 2017 and 2019)
Purpose	Help fund federal and state Marketplaces/Exchanges
Amount	<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	Insurers
Tax implications	Tax deductible for employers as part of premium
Estimated cost impact	<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

HEALTH INSURANCE INDUSTRY FEE	
Business affected	<ul style="list-style-type: none"> • Insured individual and group medical plans • Stand-alone, insured dental and vision plans • Stand-alone, insured 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
Business excluded	<ul style="list-style-type: none"> • Self-funded employer sponsored group health plans <i>Note: Some benefits may be covered under an insured plan and therefore subject to this fee as well.</i> • Non-profit corporations that receive more than 80% of their revenue from government sponsored poverty programs (Medicaid, CHIP) and that comply with certain restrictions on political activity • Medicare supplemental coverage that meets the requirements of section 1882(g)(1) • VEBAs sponsored by an entity other than an employer or employers • Coverage for specific diseases or hospital indemnity coverage • Accident-only coverage • ASO/Stop-loss • U.S.-issued expatriate plans after 2015



Reinsurance Fee

The Reinsurance Fee sunset in 2016, with final payments paid in 2017. It totaled \$25 billion, which was collected over a three-year period from 2014 through 2016. The majority of the money was used to lessen the effect of adverse selection in the individual market. The fee applied to both insured and self-funded commercial major medical plans. Health insurers were responsible for the fee on insured plans. For self-funded plans, employers paid the fee.

Medicare Taxes

Starting January 1, 2013, additional Medicare taxes for high-income individuals were implemented. Currently, both employers and employees pay a Medicare tax of 1.45 percent each, totaling 2.9 percent on all income. Employers do not have to pay any more under the new Medicare tax - they continue to pay 1.45 percent. However, they will have to withhold the additional tax for employees earning more than \$200,000, and should plan to communicate this to affected employees.

Employees earning up to \$200,000 will continue to pay the same 1.45 percent Medicare tax. Employees earning more will be taxed an additional .9 percent on all earnings over the \$200,000. *Employers are liable* for this added tax if they do not begin withholding the additional .9 percent once earnings reach \$200,000.

For married couples, the additional Medicare tax is assessed on total household earnings above \$250,000. Therefore, employees with income under \$200,000 may actually have a joint income above this threshold. In such cases, the employee is liable for the additional Medicare tax, and will be expected to make estimated quarterly payments.

- The Modified Adjusted Gross Income above the threshold of
 - \$200,000 for an individual
 - \$250,000 for married or joint income
- Total investment earnings

Individuals who believe they may be assessed this new tax should consult their tax advisor or Certified Public Accountant (CPA) for guidance.