



What Employers Need to Know Right Now About Health Care Reform

PATIENT-CENTERED OUTCOMES RESEARCH INSTITUTE (PCORI) FEE, TRANSITIONAL REINSURANCE FEE (TRF) AND HEALTH INSURANCE PROVIDERS FEE

The IRS and the Department of Health and Human Services have issued final regulations that provide details on two new, temporary fees that will be due as part of the Patient Protection and Affordable Care Act (PPACA). These fees will be calculated and paid directly by self-funded plans. The fees will be calculated and paid by insurers, although insured plans should expect these fees to be passed along.

Both the Patient-Centered Outcomes Research Institute (PCORI) fee and the Transitional Reinsurance Fee (TRF) are based on covered lives -- that is, both employees/retirees and their covered spouses and children must be counted. The basic methods a plan may use to count members are the same under the two fees (although a plan may use one method for one fee and a different method for the other fee if it prefers). However, because the PCORI fee is based on a plan year, the PCORI count looks at the entire plan year. (Note that although PCORI is based on the plan year, the reporting and fee due date is always July 31.) In contrast, the TRF is based on a calendar year, even for noncalendar-year plans. TRF reporting of covered lives will be due Nov. 15 and the fee will be due early in the next January. To meet the Nov. 15 reporting date, for TRF purposes covered lives will only be counted for the first nine months of the calendar year.

The PCORI fee is small -- \$1 or \$2 dollars per covered person per year -- and will be in effect from 2012 through 2019. It is designed to fund research into the most effective ways of treating various diseases. The federal TRF will be \$63 per covered person for the 2014 calendar year. It will be about two-thirds of that amount in 2015 and about half that amount in 2016, and then will expire. (States have the right to charge their own, additional TRF; states that wish to do so must provide details on the state fee by April 11, 2013. Few states are expected to add a state-level fee.) The TRF is designed to pay a portion of the cost for individuals with large claims.

Download more information on the TRF and PCORI fees:

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Health Insurance Providers Fee

The IRS has also issued proposed regulations on the Health Insurance Providers (HIP) Fee. This fee will be paid by insurers, although insured plans should expect these fees to be passed along. This fee does not apply to self-funded plans. The HIP Fee is permanent. The total fee that will be paid by insurers on medical, dental and vision coverage is \$8 billion in 2014, \$11.5 billion in 2015, \$11.5 billion in 2016, \$13.5 billion in 2017, \$14.3 billion in 2018 and \$14.3 billion indexed to medical inflation for later years. The insurer's fee will be based on its size, so fees will vary among insurers; one estimate available through the Association of Health Insurance Plans predicts the fee will increase premiums by 1.9 to 2.3 percent in 2014.

Next Steps

Employers with fully insured medical plans should include these new fees in their budgets. (Note that employers that offer an HRA with an insured medical plan will need to report and file the PCORI fees for the self-funded HRA.)

Employers with self-funded plans should budget for these new fees. They should also begin to consider the process they will use to gather the information needed to support calculating the fees, and the counting method that will be simplest for them to use. Employers with plan years ending between Oct. 1 and Dec. 31 will need to pay the PCORI fee by July 31, 2013. IRS Form 720 will be used for this filing, but the revised form and filing instructions have not been released yet.

The final regulation on PCORI fees is here: [Patient-Centered Outcomes Research Fee](#)

The final regulation on TRF is here: [Transitional Reinsurance Fee](#)

The proposed regulation on HIP is here: [Health Insurance Providers Fee](#)

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