

Brief Notes

News for
Brokers and Consultants

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Applies to: All insured markets, Federal Employee Program®, Medicare, Medicaid, dental and vision

Affordable Care Act imposes Insurer Fee on premiums *Insurer Fee will increase premiums*

Many important changes in federal law will affect and are affecting your clients.

The Affordable Care Act, also known as federal health care reform, imposes a fee on health insurance premiums that will increase the cost of buying health care coverage, beginning in 2014. The Insurer Fee is commonly called a premium tax.

The amount of the Insurer Fee on the industry nationwide will be \$8 billion in 2014, increasing to \$14.3 billion in 2018, and increase based on premium trend thereafter.

Effective date

The requirement is scheduled to begin in 2014, with the first estimated Insurer Fee paid to the Internal Revenue Service by September 2014, based on 2013 data.

Purpose of the Insurer Fee

The Insurer Fee will fund subsidies for individuals and families with household incomes between 100 percent and 400 percent of the federal poverty level. These individuals and families will buy their health insurance through health insurance exchanges, which launch in 2014, and have Open Enrollment in October 2013.

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Horizon BCBSNJ offers affordable and integrated medical, dental and prescription drug plans. Contact your sales executive today to learn more.



Horizon Blue Cross Blue Shield of New Jersey

Making Healthcare Work.®

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Market segments subject to the Insurer Fee

Please note: The law is not clear on market segments subject to the fee, so this list can change.

Market Sector/Line of Business	Subject to Tax?	Sure or uncertain
Commercial: Individual, small group and large group	Yes	Sure
Federal Employee Program	Yes	Sure
Medicare Advantage	Yes	Sure
Medicare Part D	Yes	Sure
Medigap	No	Sure
Medicaid, excluding Long-Term Care (LTC)	Yes	Sure
Medicaid LTC	No	Sure
Dental and Vision	Yes	Sure
Stop Loss	No	Uncertain
Self-insured, including the State Health Benefits Program	No	Sure
LTC, critical illness and disability	No	Sure

How the Insurer Fee works

The Insurer Fee is a permanent premium tax on most insurance companies starting in 2014. The requirement imposes an annual tax on the health insurance industry nationwide, according to the following schedule:

- \$8 billion in 2014.
- \$11.3 billion in 2015.
- \$11.3 billion in 2016.
- \$13.9 billion in 2017.
- \$14.3 billion in 2018.
- For years after 2018, the fee will be the amount from the previous year increased by the rate of premium growth.

Fees will be prorated for each insurer based on its share of the nationwide premiums that are subject to the fee for the preceding calendar year.

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Impact to your clients

Horizon Blue Cross Blue Shield of New Jersey pays claims and other expenses, including taxes such as the Insurer Fee, from the premiums collected from your clients. To pay increased costs, Horizon BCBSNJ must increase premiums accordingly. The ACA does not permit Horizon BCBSNJ to deduct the Insurer Fee from its federal and state taxes. As a result, if Horizon BCBSNJ's tax rate is 20 percent requiring a payment of \$80 in taxes, Horizon BCBSNJ must collect \$100 from its clients to pay the \$80.

The total amount that Horizon BCBSNJ will collect from its clients is an estimated \$162 million for 2014.

- For insured 51+ groups:
 - We have begun to charge the Insurer Fee in renewals.

- For insured two to 50 groups and Individual:
 - Currently, we cannot build in the Insurer Fee due to New Jersey's minimum loss ratio requirements. Horizon BCBSNJ is working with the New Jersey Department of Banking and Insurance to address this issue, so future pricing can cover these fees.

Impact to premium bills

Horizon BCBSNJ will not bill your clients all at once. Instead, Horizon BCBSNJ will spread the billing over a 12-month period, starting with March 2013 renewals.

If you have questions, please contact your Horizon BCBSNJ sales executive or account manager.

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