



# health reform

Keeping you connected to the Affordable Care Act

## Upcoming Affordable Care Act taxes effective 2014

### What is it?

The Affordable Care Act (ACA) requires that taxes be collected in order to fund certain provisions of health reform. Beginning January 1, 2014, there are two new taxes that will go into effect. Below is a summary of what they are and how you can prepare.

**The health insurer tax** – This annual tax is designed to offset a portion of the expenses related to providing premium subsidies and tax credits to qualified individuals purchasing coverage through exchanges. This tax will be applicable to all small groups effective January 1, 2014, and is expected to be approximately 2.3% of dues and/or premiums.

**Transitional reinsurance contribution program tax** – This tax will be used to fund transitional reinsurance programs in each state to help cover costs of the highest-risk individuals in the non-group market. It is effective from 2014 to 2016 and applies to all small groups as of January 1, 2014. In 2014, the tax is estimated to be \$5.25 per Blue Shield member, which is approximately 1.5% of dues and/or premiums.

### What does this mean to me and my employees?

When these taxes go into effect, customers' dues and/or premiums will increase by an amount that covers the new taxes. Starting with January 2014 bills, the new taxes will be included as a percentage of the dues and/or premiums.

Small group employers will continue to have a 12-month rate guarantee and the plan **base** rates will continue to be in effect for 12 months. As mentioned above, however, in January 2014, the two taxes will be added to plan dues and/or premiums.

### Why choose Blue Shield?

**Affordable** and **flexible product designs**.

**Coverage** and **quality** you want.

The **network strength** you look for.

The **cost controls** you need.

All from a **name you can trust**.

## What's next?

These two new taxes may impact your employer contributions. This is something you'll want to consider at your upcoming renewal. Here's an example:

	Percentage-based employer contribution	Amount-based employer contribution
<b>2012 and 2013</b>	Employer pays 50% of the employee's monthly premium Example: <b>\$1,500 monthly premium</b> \$750 paid by employer \$750 paid by employee	Employer pays \$500 toward the employee's monthly premium Example: <b>\$1,500 monthly premium</b> \$500 paid by employer \$1,000 paid by employee
<b>2014 and beyond</b>	Employer pays 50% of the employee's monthly premium Example: <b>\$1,500 monthly premium + 4% taxes = \$1,560*</b> \$780 paid by employer \$780 paid by employee  \$60 total for taxes (\$30 increase for the employee) (\$30 increase for the employer)	Employer pays \$500 toward the employee's monthly premium Example: <b>\$1,500 monthly premium + 4% taxes = \$1,560*</b> \$500 paid by employer \$1,060 paid by employee  \$60 total for taxes (\$60 increase for the employee) (\$0 increase for the employer)

As you can see, if your employer contribution amount is **a percentage of dues and/or premium**, your contribution amount **will be** impacted by the taxes. And if your employer contribution amount is based on **a defined dollar amount**, your employer contribution **will not be** impacted by the taxes, but your employees will pay the additional tax amount.

### Learn more about the Affordable Care Act (ACA)

Visit our website for more information about the ACA, its many requirements, and how we're preparing for the changes ahead. Go to [blueshieldca.com/employer-aca](http://blueshieldca.com/employer-aca), or contact your broker or Blue Shield representative.

\* Approximate amount shown rounding up from 3.8% to 4% taxes.