

## Upcoming Affordable Care Act taxes effective 2014

Beginning January 1, 2014, two new taxes will take effect as a result of the Affordable Care Act (ACA): **the health insurer tax and the transitional reinsurance tax**. Health insurers, plan sponsors, and individuals will be responsible for paying these taxes. The following is a general overview of the taxes.

Provision	Effective date	Applicable to	Tax amount	Products affected
<b>Health insurer tax</b> is an annual tax to offset a portion of the expense related to premium subsidies and tax credits to fund the state and federal exchanges.	January 1, 2014 and beyond	insured plans	<ul style="list-style-type: none"> <li>• \$8 billion in 2014</li> <li>• \$11.3 billion in 2015</li> <li>• \$11.3 billion in 2016</li> <li>• \$13.9 billion in 2017</li> <li>• \$14.3 billion in 2018</li> <li>• 2019 and beyond the tax will be equal to the amount for the preceding year increased by the rate of premium growth for the preceding calendar year.</li> <li>• Tax is based on the net premiums written during the preceding calendar year (for example, the tax due in 2014 will be based on the net premiums written in 2013).</li> </ul>	<p>All "covered entities," which include any entity providing health insurance for any U.S. health risk, including medical, dental, vision, behavioral health, and pharmacy plans, the Federal Employees Health Benefit plan, and Medicare Advantage and Part D prescription plans.</p> <p>Examples of entities exempted from the tax: Self-insured groups, governmental entities, Medicare Supplement plans, specific disease insurance, hospital-only indemnity insurance, and long-term care insurance.</p>
<b>Transitional reinsurance tax</b> is an annual tax to fund reinsurance programs to help finance the cost of high-risk individuals in the individual market.	January 1, 2014 through 2016	insured plans and self-insured plans	<ul style="list-style-type: none"> <li>• \$12 billion in 2014</li> <li>• \$8 billion in 2015</li> <li>• \$5 billion in 2016</li> <li>• Funds collected for benefit years 2014-2016 will be used for reinsurance payments through 2018.</li> </ul>	<p>All commercial, major medical plans, including grandfathered plans; and self-insured plans.</p> <p>Excludes: stand-alone dental plans, stand-alone vision plans, Medicare Advantage, and Medicare Part D plans, Medicare Supplement plans, Medicaid and CHIP plans.</p>

### How taxes will impact Blue Shield customers

Blue Shield has undertaken its best efforts to analyze and implement the tax requirements of ACA. We expect the impact of the 2014 health insurer tax to be approximately 2.3% of premium and expect the transitional reinsurance tax to be about \$5.25 per member per month/\$63 per member per year based on 2014 membership.

Blue Shield's fully-insured large group (51+) customers will see the health insurer tax and transitional reinsurance tax included in their 2014 rates beginning with renewals released in February 2013. The amount owed for the tax as of January 2014, will be prorated over a 12-month period in their renewal rate. For example, if the group's contract renews in June, the amount owed for the tax as of January through May 2014, will be prorated by 12 months and will be reflected in the monthly rate, beginning June 2013. However, Blue Shield will reimburse these pro-rated taxes for groups that term in 2013. For self-insured customers, plan sponsors are responsible for the transitional reinsurance contributions. Should federal regulators issue new regulations and other regulatory guidance, Blue Shield will accommodate any additional changes required by the ACA.