

# Patient Protection and Affordable Care Act

## Patient-Centered Outcomes Research Tax

### Overview

One of the main goals of the Patient Protection and Affordable Care Act (PPACA) is to foster a healthier population through improvements to the health care system. PPACA created a non-profit organization, the Patient-Centered Outcomes Research Institute (PCORI), to conduct research that will result in more effective improvements.

### What is the Patient-Centered Outcomes Research Tax?

The Patient-Centered Outcomes Research Tax, also known as the Comparative Effectiveness Research Fee, is a fee paid to the government to fund PCORI's research.

### Who needs to pay the fee?

Health insurers will be taxed for each individual member of fully insured groups; plan sponsors will pay the fee for each member of their self-funded group.

Flexible spending accounts (FSAs) and Health Reimbursement accounts (HRAs) are considered self-funded health plans and are subject to the tax.

- If integrated with an insured policy these plans are subject to the tax separate from the insured policy. The plan sponsor must pay the tax for the FSA or HRA and the insurer for the insurance policy.
- If integrated with another self-funded health plan providing major medical coverage established by the same employer, FSAs and HRAs are not subject to a separate tax.

Exemptions include:

- Government-subsidized health plans like Medicaid, Medicare, Child Health Plus, and Family Health Plus
- Expatriate plans
- Stop-loss and indemnity reinsurance policies
- Policies that only cover excepted benefits
- Long term care insurance
- Medical Savings accounts (MSAs) and Health Savings Accounts (HSAs)

### When will the fee be paid?

The fee will be paid annually on IRS Form 720, due July 31<sup>st</sup> of each applicable year, for policy years ending between October 1, 2012 and October 1, 2019.

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## How much is the fee?

The annual fee per covered life is:

- \$1 for policy and plan years ending between October 1, 2012 and October 1, 2013
- \$2 for policy and plan years that end between October 1, 2013 and October 1, 2014
- To be determined for policy and plan years ending after October 1, 2014, based on the projected health care inflation rate

## How is Excellus handling the fee for customers?

For insured groups:

- Excellus will embed the fee into medical plan rates and pay HHS for all insured groups.
- The plan sponsor must pay the tax for covered lives in an FSA or HRA (see self-funded groups below).

For self-funded groups:

- Excellus initially believed we could support our self-funded groups by collecting and paying the fee. However the final rule clearly indicates this function must be performed by the Plan Sponsor and not a Third Party Administrator (TPA).
- Methods of calculating covered lives are included in the regulations and should be reviewed with your legal and accounting counsel.

You can find more information about the patient-centered outcomes research at <http://www.pcori.org/>.

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