

320 – HEALTH INSURER FEE

EFFECTIVE DATE: 01/01/14, 10/01/15

REVISION DATE: 11/06/14, 07/30/15

STAFF RESPONSIBLE FOR POLICY: DHCM FINANCE

I. PURPOSE

This Policy applies to Acute Care, ADHS/DBHS, ALTCS/EPD, CRS, and DES/DDD (DDD) Contractors subject to the exclusions noted below. According to contract, AHCCCS will provide funding to the Contractors for the Health Insurer Fee and associated taxes. The purpose of this Policy is to define what the Contractors will submit to AHCCCS and the process by which AHCCCS will provide funding to the Contractors for the Health Insurer Fee.

II. DEFINITIONS**AFFORDABLE CARE ACT
(ACA)**

Federal statute signed into law in March, 2010 as part of comprehensive health insurance reforms that will, in part, expand health coverage, expand Medicaid eligibility, establish health insurance exchanges, and prohibit health insurers from denying coverage due to pre-existing conditions. The Affordable Care Act is also referred to as the Patient Protection and Affordable Care Act (ACA).

FEE YEAR

The calendar year in which the fee must be paid.

PREMIUM TAX

The premium tax is equal to the tax imposed pursuant to A.R.S. §36-2905 for all payments made to Contractors for the contract year.

III. POLICY**A. GENERAL**

Section 9010 of the Patient Protection and Affordable Care Act (ACA) requires that the Contractor, if applicable, pay a Health Insurer Fee (HIF) annually beginning in calendar year 2014 based on its respective market share of premium revenues from the preceding calendar year. Insurer market share excludes premiums related to accident and disability insurance, coverage for a specified disease or illness, hospital indemnity or other fixed indemnity insurance, long-term care insurance, and Medicare supplement insurance.

Certain entities will be excluded including, but not limited to:

- Government entities, including independent nonprofit county-organized health system entities that contract with state Medicaid agencies; and
- Nonprofit entities that receive more than 80% of gross revenue from government programs that target low-income, elderly, or disabled populations including Medicare, Medicaid, State Children’s Health Insurance Plan (SCHIP), and dual eligible plans.

Additionally, certain entities can exclude 50% of their net premium for the health insurer fee calculation because of their status as a public charity, social welfare organization, high-risk health insurance pool, or a Consumer Operated and Oriented Plan (CO-OP).

Every health insurer is required to report its national net premiums written to the IRS annually by April 15 of the fee year on Form 8963, “Report of Health Insurance Provider Information”. It is the health insurer’s responsibility to allocate its national net premiums written to the entities recorded on its Form 8963. The allocation for each fee year is based on the prior calendar year’s revenue. The IRS will then send each health insurer a notice of preliminary fee calculation each fee year. The regulations provide that the IRS will send each health insurer its final fee calculation for a fee year no later than August 31 of that fee year, and that the health insurer must pay the fee to the IRS by electronic funds transfer by September 30.

B. AHCCCS RESPONSIBILITIES

1. Subject to receipt and review of documentation from the Contractor as described below, AHCCCS shall make a retroactive capitation rate adjustment consistent with the methodology approved by the Centers for Medicare and Medicaid Services (CMS) (see Attachment A for CMS approved methodology), to approximate the cost associated with the HIF Premium tax.
2. For Fee year 14, subject to receipt and review of documentation from the Contractor as described below, AHCCCS shall make a subsequent retroactive capitation rate adjustment to the Contractor to approximate the federal income tax liability and Arizona state income tax liability the Contractor incurs related to the HIF, if applicable.
3. For Fee year 15 and forward, the retroactive capitation rate adjustment for the Contractor in B.1 above will include the provision to approximate the federal income tax liability and Arizona state income tax liability the Contractor incurs related to the HIF, if applicable.
4. The HIF and associated tax liability will be deducted from revenue on other AHCCCS revenue/expense reconciliations in a manner consistent with how the premium tax is handled.

C. CONTRACTOR RESPONSIBILITIES

1. The Contractor shall submit to the DHCM Finance Manager a copy of its entity's Form 9863, "Report of Health Insurance Provider Information" filed with the IRS to report net premium along with its final fee estimate by September 30 of each fee year, as specified in Contract, Section F, Attachment F3, Contractor Chart of Deliverables.
2. The Contractor shall complete Attachment B, Health Insurer Fee Liability Reporting Template and submit both an executed copy and an electronic copy in an Excel format to the DHCM Finance Manager by September 30 of each fee year, as specified in Contract, Section F, Attachment F3, Contractor Chart of Deliverables. Since the template includes all lines of business, a Contractor with multiple lines of business only needs to make one submission. The Contractor shall include Title XIX and XXI revenue only. The AHCCCS fee liability shall be allocated to line of business based on the allocation of revenue reported in Attachment B. AHCCCS will verify the reasonableness of the data. In the case of differences between the executed copy and electronic template submissions, the executed copies will prevail.
3. If no fee is due, the Contractor shall submit to the DHCM Finance Manager a written statement indicating no fee is due and the reason for the exemption.
4. The Contractor shall submit to the DHCM Finance Manager a copy of its entity's federal and Arizona state income tax filings by April 30 of the year following the fee year, as specified in Contract, Section F, Attachment F3, Contractor Chart of Deliverables. The Contractor shall notify the DHCM Finance Manager of the federal and Arizona state income tax rates that apply to the Contractor.
5. If the Contractor requested a tax filing extension, the Contractor shall submit its anticipated federal and Arizona state income tax rates that apply to the Contractor to the DHCM Finance Manager by April 30 of the year following the fee year, as specified in Contract, Section F, Attachment F3, Contractor Chart of Deliverables. Once filed, the Contractor shall submit copies of the federal and Arizona state income tax filings within 30 days of filing.
6. AHCCCS may adjust a capitation rate that was previously adjusted for tax liability purposes if the resulting tax liability is materially different from the anticipated tax rates reported.

IV. REFERENCES

- Acute Care Contract, Section D
- ADHS/DBHS Contract, Section D
- ALTCS/EPD Contract, Section D
- CRS Contract, Section D
- DES/DDD Contract, Section D

- Contract, Section F, Attachment F3, Contractor Chart of Deliverables
- Attachment A, CMS Approved Retroactive Capitation Rate Adjustment Methodology
- Attachment B, Health Insurer Fee Liability Reporting Template
- A.R.S. §36-2905
- Section 9010 of the Patient Protection and Affordable Care Act

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**ATTACHMENT A – CMS APPROVED RETROACTIVE CAPITATION RATE ADJUSTMENT
METHODOLOGY**

SEE THE ACOM WEBPAGE FOR ATTACHMENT A OF THIS POLICY

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ATTACHMENT B – HEALTH INSURER FEE LIABILITY REPORTING TEMPLATE

SEE THE ACOM WEBPAGE FOR ATTACHMENT B OF THIS POLICY

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