

320 – HEALTH INSURANCE PROVIDER FEE

EFFECTIVE DATES: 01/01/14, 10/01/15, 07/01/16, 10/01/16, 10/01/18

APPROVAL DATES: 11/06/14, 07/30/15, 04/04/16, 02/08/17, 10/18/18

I. PURPOSE

This Policy applies to AHCCCS Complete Care (ACC), ALTCS E/PD, DES/DDD (DDD), and RBHA Contractors subject to the exclusions noted below. According to Contract, AHCCCS will provide funding to the Contractors for the Health Insurance Provider 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 Insurance Provider 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 A.R.S. §36-2944.01 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 Insurance Provider Fee (HIPF) 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 insurance provider 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 shall pay the fee to the IRS by electronic funds transfer by September 30.

For a given Fee Year, the Federal Government may place a suspension on fees that would be paid in the Fee Year based on revenue received in the calendar year prior to the Fee Year, via the passage of legislation. When there is such Federal action, the provisions and requirements of this policy will be waived for Contractor deliverables and AHCCCS payments of the HIPF and associated taxes as discussed below. Specifically, AHCCCS will suspend Contractor submission of the Form 8963, Report of Health Insurance Provider Information, and Attachment A, Health Insurance Provider Fee Liability Reporting Template, related to the Fee Year suspended, which would be due September 30 of the suspended year. AHCCCS will also suspend Contractor submission of copies of its federal and state filings for the suspended Fee Year due April 30 of the following year.

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 below, to approximate the cost associated with the HIPF Premium Tax.
2. AHCCCS will perform a retroactive adjustment of already approved capitation rates to incorporate the impact of the Health Insurance Provider Fee (HIPF). This retroactive adjustment is limited to one month of historical capitation rates per year in order to reduce stress on the system associated with a mass adjustment associated with a full year of capitation rates and to permit easy identification for data analysis purposes where its inclusion would not be appropriate.

The adjustment includes the HIPF liability as determined by the Treasury Department and also incorporates the corporate tax liability the Contractors will incur related to the HIPF, allocated by program, risk group and/or GSA as appropriate.

3. HIPF will be based on prior calendar year revenue. The IRS defines this as the data year. Based on the deliverables received from the Contractor, AHCCCS will calculate the HIPF adjustment and retroactively revise capitation rates from the prior October. For example, Fee Year 2020 will be based on calendar year 2019 revenue. AHCCCS will retroactively modify October 2019 capitation rates for the HIPF adjustment. AHCCCS may amend this process if unexpected complications arise such as a Contractor exiting/entering the program. (see B.7).
4. If, in the future, AHCCCS' actuaries believe the HIPF can be accurately estimated by Contractor, risk group or GSA as appropriate, then AHCCCS may consider building the HIPF into the capitation rates prospectively. A reconciliation of the HIPF may be required in that case.
5. The HIPF 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.
6. AHCCCS will waive the provisions of this policy should the Federal Government place a suspension on the HIPF for the Fee Year in which the HIPF would have been due. AHCCCS will not make payments to the Contractor for the Fee Year of the suspension. See section A.
7. For a terminated Contractor, AHCCCS will follow a modified methodology. The HIPF adjustment will use the last active month of the Terminated Contractor's contract with AHCCCS for the retroactive revision of capitation rates.

C. CONTRACTOR RESPONSIBILITIES

1. The Contractor shall submit to the DHCM Finance Manager a copy of its entity's Form 8963, 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.
2. The Contractor shall complete Attachment A 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. 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 A. 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. The Contractor shall notify the DHCM Finance Manager of the federal and Arizona state income tax rates, if applicable, that apply to the Contractor. A Contractor should not be responsible for state income tax and Premium Tax in the same period. Contractors should not claim both state income tax and Premium Tax for the same period for the associated tax liability for HIPF.
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. 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.
7. The Contractor deliverables due to AHCCCS including IRS Form 8963, Attachment A, and Federal and State Income Tax filings will be waived, should the Federal Government place a suspension on the HIPF, for the Fee Year in which the HIPF would have been due. See section A.