

# Employee and Retiree Benefits

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LOB #317:

## **PATIENT PROTECTION AND AFFORDABLE CARE ACT FEES**

### **Purpose**

This Line of Business consists of required taxes and fees established under the Patient Protection and Affordable Care Act (PPACA).

### **Description**

The County is currently responsible for paying two fees that were established under the PPACA: the Patient-Centered Outcomes Research Trust Fund Fee and the Transitional Reinsurance Fee. The Patient-Centered Outcomes Research Trust Fund Fee was first imposed in plan year 2013, and will expire in plan year 2018. It is calculated by multiplying the average number of lives covered by the plan by the applicable fee, which was \$2 in plan year 2013 and will increase each year to reflect inflation.

The Transitional Reinsurance Program Fee will be imposed for three years, beginning with plan year 2014 and ending in plan year 2016. The fee was \$63 per member in 2014 and is scheduled to decrease each year until the program ends.

### **Benefits**

The Patient-Centered Outcomes Research Trust Fund Fee helps to fund the Patient-Centered Outcomes Research Institute (PCORI). PCORI attempts to provide patients and doctors with the information they need to make better decisions by funding patient-centered comparative clinical effectiveness research and disseminating the results.

The Transitional Reinsurance Program is intended to reduce the impact of adverse selection on the individual market during the first few years following its implementation.

### **Mandates**

All expenditures in this Line of Business are mandated taxes and fees under the Patient Protection and Affordable Care Act.

### **Trends and Challenges**

While the two fees that are currently charged to the County are scheduled to sunset over the next few years, an excise tax on high cost health plans was also enacted as part of the Patient Protection and Affordable Care Act. This tax, commonly known as the "Cadillac tax", is calculated as forty percent of the value of health coverage that exceeds certain thresholds. The tax was originally slated to be charged beginning in 2018, but was recently delayed until 2020. The County is not expected to be impacted by this excise tax until 2021 or later. However, the County's tax liability will grow significantly over time as the excise tax is indexed to the consumer price index, which has historically lagged medical inflation.

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## Resources

Category	FY 2014 Actual	FY 2015 Actual	FY 2016 Adopted
<b>LOB #317: Patient Protection and Affordable Care Act Fees</b>			
<b>FUNDING</b>			
<u>Expenditures:</u>			
Benefits	\$25,370	\$956,715	\$1,052,000
Total Expenditures	\$25,370	\$956,715	\$1,052,000
Total Revenue	\$0	\$0	\$0
<u>Transfers In:</u>			
Transfer In from General Fund	\$1,600,000	\$1,000,000	\$0
Total Transfers In	\$1,600,000	\$1,000,000	\$0
<b>POSITIONS</b>			
Authorized Positions/Full-Time Equivalents (FTEs)			
<u>Positions:</u>			
Regular	0/0	0/0	0/0
Total Positions	0/0	0/0	0/0

## Metrics

Metric Indicator	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Estimate	FY 2017 Estimate
Transitional Reinsurance fee per member	NA	\$63	\$44	\$27	NA

The largest driver of expenditure levels in this LOB has been the fee charged per member for the Transitional Reinsurance Program. The fee was initially set at \$63 for plan year 2014, and has decreased to \$27 for plan year 2016. As the fee is paid in two installments following the close of the plan year, the County's first payment was made in FY 2015 and its final payment is expected in FY 2018.