

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
Health insurer tax is an annual tax to help fund premium subsidies for certain individuals and families purchasing coverage through health insurance exchanges.	January 1, 2014 and beyond	Insured plans	<ul style="list-style-type: none"> • \$8 billion in 2014 • \$11.3 billion in 2015 • \$11.3 billion in 2016 • \$13.9 billion in 2017 • \$14.3 billion in 2018 • For 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. • 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). 	<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>
Transitional reinsurance tax is an annual tax to help stabilize premiums and the cost of high-risk individuals entering the individual market in each state's health insurance exchange.	January 1, 2014 through 2016	Insured plans and self-insured plans	<ul style="list-style-type: none"> • \$12 billion in 2014 • \$8 billion in 2015 • \$5 billion in 2016 • Funds collected for benefit years 2014-2016 will be used for reinsurance payments through 2018. 	<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.