



ACA COMPLIANCE BULLETIN

HIGHLIGHTS

- The ACA imposes an annual fee on the health insurance sector, allocated across the industry according to market share.
- For 2020, the annual health insurance providers fee amount will increase to \$15,522,820,037.
- Although employers are not directly responsible for paying the fee, they may see increased premiums as a result.

IMPORTANT DATES

September 4, 2019

The IRS published a Notice indexing the applicable health insurance providers fee amount for 2020.

September 30, 2020

The 2020 health insurance providers fee is due.

Provided By:

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ACA HEALTH INSURANCE PROVIDERS FEE WILL INCREASE IN 2020

OVERVIEW

The Affordable Care Act (ACA) imposes an annual, non-deductible fee on the health insurance sector, allocated across the industry according to market share. On Sept. 4, 2019, the Internal Revenue Service (IRS) issued [Notice 2019-50](#) to index the applicable fee amount for 2020. Under Notice 2019-50, the applicable amount for the 2020 fee year is **\$15,522,820,037**.

The health insurance providers fee is generally paid by health insurers and other providers of health coverage. However, insurers may pass the cost of the fee onto policyholders through premium increases.

ACTION STEPS

Employers are generally not responsible for paying the health insurance providers fee. However, health insurance carriers may shift the cost of the fee onto employers that sponsor an insured plan, either by a corresponding increase in premiums or by separately charging the entity for a portion of the fee.



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Background

Beginning in 2014, the Affordable Care Act (ACA) has imposed an annual, non-deductible fee on the health insurance sector, allocated across the industry according to market share. The fee, which is treated as an excise tax, is required to be paid by Sept. 30 of each calendar year.

The health insurance providers fee applies to all “covered entities,” defined as any entity that has net premiums written for health insurance for any United States health risk during the year. The fee is assessed on health insurers’ **premium revenue for health insurance above \$25 million**.

Specifically, the fee applies to:

- ✓ Health insurers;
- ✓ Health maintenance organizations (HMOs);
- ✓ Certain insurance companies;
- ✓ Providers of Medicare Advantage, Medicare Part D prescription drug coverage or Medicaid coverage; and
- ✓ Non-fully insured multiple employer welfare arrangements (MEWAs).

The health insurance providers fee does not apply to **companies whose net premiums written are \$25 million or less**. Additionally, the fee program specifically excludes all of the following entities:

Self-insured employers	Governmental entities	Certain nonprofit entities	Certain voluntary employees’ beneficiary associations (VEBAs)
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Keep in mind that these excluded entities are not subject to the health insurance providers fee directly. However, if any of these entities sponsor an insured plan, the insurance carrier providing the coverage may be subject to the fee. In this case, **the carrier may shift the cost of the fee onto the excluded entity, either by a corresponding increase in premiums or by separately charging the entity for a portion of the fee.**

A [federal budget bill for 2016](#) imposed a **one-year moratorium on the collection of the health insurance providers fee for 2017**. As a result, no health insurance issuers were required to pay this fee for 2017. Then, a [continuing spending resolution](#) in 2018 provided an **additional one-year moratorium on the health insurance providers fee for the 2019 calendar year**. However, the continuing resolution specifically declined to extend the moratorium through 2018. Therefore, the fee continued to apply for the 2018 calendar year. The health insurance providers fee will resume for the 2020 calendar year.

Health Insurance Providers Fee Amount

The health insurance providers fee is apportioned among the covered entities according to their respective market shares, as measured by net premiums written for health insurance. This means that the IRS will assess a portion of the applicable amount to each covered entity based on the ratio of:

- ✓ The covered entity’s net premiums written for health insurance during the preceding calendar year; to

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- ✓ The aggregate net premiums for health insurance of all covered entities during the preceding calendar year.

The aggregate fee amount each year for all covered entities is called the **applicable amount**. The applicable amount for each fee year is:

- ✓ \$8 billion for calendar year 2014;
- ✓ \$11.3 billion for calendar years 2015 and 2016;
- ✓ \$13.9 billion for calendar year 2017; and
- ✓ \$14.3 billion for calendar year 2018.

Beginning in 2019, the applicable amount will increase based on the rate of premium growth.

On Sept. 4, 2019, the IRS issued [Notice 2019-50](#) to index the applicable amount for 2020. Under Notice 2019-50, the applicable amount for the 2020 fee year is **\$15,522,820,037**.

Employers are generally not responsible for paying the health insurance providers fee. However, health insurance carriers may shift the cost of the fee onto employers that sponsor an insured plan, either by a corresponding increase in premiums or by separately charging the entity for a portion of the fee. **As a result, the increased health insurance providers fee amount will likely result in premium increases for 2020.**