



Health care reform at-a-glance

Comparative effectiveness research plan fee

The Affordable Care Act established the Patient-Centered Outcomes Research Institute (PCORI) to explore the effectiveness, risks and benefits of medical treatments. This study is also known as comparative effectiveness research (CER). PCORI is a nonprofit, nongovernmental organization supported by a trust fund that is financed in part by fees from health plan issuers (for fully insured plans) and plan sponsors (for self-funded plans). The fees are to be collected for plan years and policy years that end after September 30, 2012, and before October 1, 2019.

Fee amounts:

Plan/policy years ending October 1, 2012, through September 30, 2013	Plan/policy years ending October 1, 2013, through September 30, 2014	Plan/policy years ending October 1, 2014, through September 30, 2019
\$1 multiplied by the average number of covered lives (\$1 per year)	\$2 multiplied by the average number of covered lives (\$2 per year)	\$2 (adjusted for medical inflation) multiplied by the average number of covered lives (\$2 adjusted per year)

The calculation is based on the average number of lives covered by accident and health insurance during the year. Fees do not apply to any insurance if substantially all of its coverage is HIPAA-excepted (such as standalone dental and vision plans), or the policy is issued specifically to cover primarily employees who are working and residing outside of the United States.

Fully Insured Customers:

We will pay the fee on behalf of our fully insured customers. It will be included as part of their premium and will be included in the total renewal amount.

ASO Customers:

For customers who have self-insured (ASO) plans, we will not pay the fee on their behalf.

Combined Funding Customers:

For customers who have a combination of funding mechanisms, we will pay the fee for the fully insured plan, but not the ASO plan.

Questions and answers

Q. Will we pay the CER fee for ASO plans?

A. No. We will not be paying the fee on behalf of our ASO clients.

Q. Why aren't we paying CER fees for ASO?

A. We do not manage the tax payments for ASO customers in general. Additionally, many of our ASO customers have multiple carriers. The CER fee is based on all members, regardless of carrier, payable in one lump sum.



Q. Who is responsible for paying the CER fee for self-funded plans?

- A. Section 4376 of the health care reform law says that the responsibility lies with the plan sponsor. That is defined as:
- For a plan established or maintained by a single employer: the employer
 - For a plan established or maintained by an employee organization: the employee organization
 - For a plan established or maintained by 2+ employers or jointly by employers/employee organizations (for example, a MEWA or VEBA): the association, committee, joint board of trustees or other similar group of representatives of the parties who establish or maintain the plan
 - For a plan established or maintained by a cooperative or association: the cooperative or association

Q. How much is the fee? How is it calculated?

- A. For plan/policy years ending October 1, 2012, through September 30, 2013, the fee is \$1 multiplied by the average number of covered lives per year. For plan/policy years ending October 1, 2013, through September 30, 2014, the fee is \$2 multiplied by the average number of covered lives. It will be adjusted in subsequent years.

Q. Will we pay the fee on behalf of our fully insured customers?

- A. The fee is imposed on the insurer, so for our fully insured customers, we will pay the fee.

Q. Will the fee be called out separately in the bill for an insured account?

- A. No, the fee will be included in the total renewal amount.

Q. How do we handle CER fees for groups with a mix of ASO and fully insured offerings?

- A. If a group has both ASO and fully insured plans, we would pay the fee for the fully insured plan, but not the ASO plan.

Q. Will alternatively funded programs like minimum premium or contingent premiums be classified as insured or ASO for these fees?

- A. These programs will be classified as insured or ASO based on state law and/or regulation. Minimum premium programs are classified as insured in certain markets and ASO in other markets. Other alternatively funded programs are believed to be classified as insured in all markets.

Q. Are expatriate plans subject to this fee?

- A. No as they are generally issued to cover primarily employees who are working and residing outside of the United States.

Q. Do state and local government plans have to pay these fees?

- A. Yes, with exceptions. The law exempts certain governmental programs from the plan fees. The exemptions include only:
- Medicare, Medicare Supplement, Medicare Advantage
 - Medicaid
 - State Children's Health Insurance Program
 - Veterans Administration
 - Indian Health Service



Q. What will PCORI study?

A. Language in the health care reform law indicates the institute will focus on research evaluating and comparing health outcomes and the clinical effectiveness, risks and benefits of two or more medical treatments, services and items including:

- Health care interventions
- Treatment protocols
- Care management
- Procedures
- Medical devices
- Diagnostic tools
- Pharmaceuticals
- Integrative health practices
- Other strategies or items being used in the treatment, management, diagnosis or prevention of illness or injury

Q. Will the research findings dictate what health plans will and will not cover?

A. By law, PCORI should make research findings available to clinicians, patients and the general public to help them make health care decisions.

Q. How will the comparative effectiveness research fees be handled for minimum loss ratio calculation?

A. Section 2718 of the Affordable Care Act requires that premium revenue be adjusted to exclude "Federal and state taxes and licensing or regulatory fees." The comparative effectiveness research fee qualifies as a "regulatory fee" for the purpose of minimum loss ratio rebate calculations and should be deducted from premium revenue to appropriately calculate the minimum loss ratio.

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