

## **320 HEALTH INSURER FEE (Health Insurance Provider Fee)**

EFFECTIVE DATE: October 1, 2019

REFERENCES: A.R.S. § 36-2905, Section 9010 of the Patient Protection and Affordable Care Act; IRS Form 8963; ACOM Policy 320 Attachment A and Attachment B; Section F3, Contractor Chart of Deliverables

DELIVERABLES: Health Insurance Providers Fee: Federal and State Income Tax Filings; Health Insurance Providers Fee: Liability Reporting Template; Health Insurance Providers Fee: Report of Health Insurance Provider Information (IRS Form 8963)

This policy applies to Division's Administrative Services Subcontractors (AdSS). AHCCCS provides funding to the Division for the Health Insurance Provider Fee (HIPF) and associated taxes. The purpose of this policy is to define what the AdSS submits to AHCCCS and the process by which the Division reimburses the AdSS for the HIPF.

### **Definitions**

- A. 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).
- B. Fee Year - The calendar year in which the fee must be paid.
- C. Premium Tax - The premium tax is equal to the tax imposed pursuant to A.R.S. § 36-2905 for all payments made to contractors for the contract year.

### **HIPF Requirements and Exclusions**

Section 9010 of the ACA requires that the AdSS, if applicable, pay an 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. Excluded entities include, but are not limited to:

- A. Government entities, including independent nonprofit county-organized system entities that contract with state Medicaid agencies
- B. 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 HIPF calculation because of their status as a public charity, social welfare organization, high-risk health insurance pool, or Consumer Operated and Oriented Plan (CO-OP).

Every health insurer must report its national net premiums written to the IRS annually by  
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April 15 of the fee year on IRS *Form 8963, Report of Health Insurance Provider Information*. The health insurer is responsible for allocating 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 must pay the fee to the IRS by electronic funds transfer by September 30.

### **AHCCCS Responsibilities**

- A. Subject to receipt and review of documentation from the AdSS as described below, AHCCCS will make a retroactive capitation rate adjustment to the Division consistent with the methodology approved by the Centers for Medicare and Medicaid Services (CMS).

For CMS-approved methodology to approximate the cost associated with the HIPF Premium tax, see AHCCCS Contractor Operations Manual (ACOM) *Policy 320 Attachment A, CMS Approved Retroactive Capitation Rate Adjustment Methodology – One Month Method of Payment of Health Insurer Fee (HIPF)*.

- B. For Fee Year 20 and forward, the retroactive capitation rate adjustment for the AdSS in "A" above will include the provision to approximate the federal income tax liability and Arizona state income tax liability incurred related to the HIPF, if applicable.

### **AdSS Responsibilities**

- A. The AdSS must submit to the AHCCCS Division of Health Care Management (DHCM) Finance Manager with a copy to the Division's Business Administrator, a copy of its entity's IRS *Form 8963, Report of Health Insurance Provider Information* filed with the IRS to report net premium along with its final fee estimate by September 30 of each fee year.
- B. The AdSS must complete *ACOM Policy 320 Attachment B, Health Insurer Fee Liability Reporting Template* and submit both an executed copy and an electronic copy in an Excel format to the DHCM Finance Manager and the Division's Business Administrator by September 30 of each fee year. Since the template includes all lines of business, an AdSS with multiple lines of business only needs to make one submission. The AdSS must include Title XIX only. The AHCCCS fee liability must be allocated to line of business based on the allocation of revenue reported in *Attachment B*. 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.
- C. If no fee is due, the AdSS must submit to the DHCM Finance Manager and the Division's Business Administrator a written statement indicating no fee is due and the reason for the exemption.
- D. The AdSS must submit to the DHCM Finance Manager and the Division's Business Administrator a copy of its entity's federal and Arizona state income tax filings by

April 30 of the year following the fee year. The AdSS must notify the DHCM Finance Manager and the Division's Business Administrator of the federal and Arizona state income tax rates that apply to the AdSS.

- E. If the AdSS requested a tax filing extension, the AdSS must submit its anticipated federal and Arizona state income tax rates that apply to the AdSS to the DHCM Finance Manager and the Division's Business Administrator by April 30 of the year following the fee year. Within 30 days after submitting tax filing, the AdSS must submit copies of the federal and Arizona state income tax filings.
- F. 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.
- G. The AdSS deliverables due to AHCCCS, including IRS Form 8963, Attachment B, 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 F3, Contractor Chart of Deliverables.