ACA Fees – Anthem's Minimum Premium (MPP) Products Process Change

Anthem Blue Cross (Anthem) has determined that Minimum Premium (MPP) products should be considered Self-Funded for statutory financial reporting, when determining applicable ACA fees. Due to the grievance and appeal language included in Anthem's MPP contract, we will continue to file these products as Fully Insured with our California regulators, for non-financial purposes. This memo summarizes the handling of ACA fees for MPP clients, retroactively to January 1, 2014.

The current monthly MPP rates will be reduced going forward to exclude the:

- ACA Insurer fee
- Comparative Effectiveness Research fee (also known as the PCORI fee) and
- ACA Reinsurance fee.

See the explanation of each below.

Affordable Care Act (ACA) Insurer Fee

Similar to ASO funding arrangements, MPP products will <u>not be subject</u> to the ACA Insurer fee. Thus, Anthem will refund the ACA Insurer fee retroactively to January 1, 2014 during the annual accounting process for all MPP clients paying this fee on a monthly basis. MPP clients will not need to pay this fee to the Department of Health and Human Services (HHS) since they are not liable for it. The Insurer Fee only applies to true Fully Insured contracts, where the risk is held by the insurer. In MPP contracts, the risk is borne by the employer up to the attachment point and the insurer thereafter.

Comparative Effectiveness Research Fee

Regarding the Comparative Effectiveness Research fee (also known as the PCORI fee), Anthem will include MPP plans with policy years ending in 2013 in our Fully Insured payment for the July 31, 2014 deadline. In addition, we will retroactively refund the Comparative Effectiveness Research fee back to January 1, 2014 during the annual accounting process for MPP clients with policy years ending in 2013. However, for policy years ending in 2014, we will refund this fee back to the 2013 renewal effective date, excluding January 1, 2013.

Anthem cannot pay this fee on behalf of Self-Funded clients. The regulations do not permit or include rules for 3rd party reporting or paying of this fee. As such, MPP clients will need to pay this fee beginning with policy years ending in 2014 directly to HHS by the July 31, 2015 deadline. Find out more about the Comparative Effectiveness Research fee for Self-Funded products in this <u>fact sheet.</u>



Affordable Care Act (ACA) Reinsurance Fee

Regarding the ACA Reinsurance fee, Anthem will not collect or submit this fee for MPP products, which is consistent with our approach for Self-Funded products. As such, Anthem will retroactively refund the ACA Reinsurance fee back to January 1, 2014 during the annual accounting process for all MPP clients <u>paying this fee</u> on a monthly basis. If you do not pay the ACA Reinsurance fee monthly, your rates will not be reduced by the ACA Reinsurance fee amount.

We believe that, in most cases, its better if the Self-Funded employer makes its own payment for the ACA Reinsurance fee straight to HHS rather than having Anthem collect monthly payments and send fees to HHS, due to the following:

- <u>Cash flow advantage</u> With a monthly payment, Anthem started collecting in January 2014. If the employer pays HHS directly, the payment is not due until close to a year later. At \$5.25 per member per month for 2014, there is cash flow advantage.
- <u>Lower fees</u> The regulation offers four methods to count the membership on which the fees are based. The employer may model the impact of each of four membership calculation methods and choose the method which they believe is best for them. Anthem would need to use the same membership basis for each employer. This is the same way that would be used for Insured business.
- 3. <u>*Control*</u> The regulations say the Self-Funded employer will be responsible for the fees. By paying directly, this ensures that the payments are made correctly and according to their preferences.
- 4. <u>Integration</u> Certain Self-Funded employers use various administrators for parts of their plans. For example, they may have coverage in one location with one administrator and in another place with a different administrator. In these cases, the employer will need to gather the information for all locations and make the payment.

Find out more about the ACA Reinsurance fee in this fact sheet.

If you have questions about this information, and the impact this change has on your rates, please contact your Anthem Account Management Executive. For your other Health Care Reform needs visit <u>http://www.anthem.com/ca/healthcarereform</u>.

