

APPENDIX 3a

ACA Health Insurance Providers Fee

This Appendix provides for potential payments by the Department to the PCO related to the Health Insurance Providers Fee (HIPF).

Fee Year – The year in which a HIPF payment is due from the PCO to the Internal Revenue Service (IRS) is referred to as the Fee Year.

Data Year – The IRS calculates HIPF due in the Fee Year using submitted information on net premiums written for the previous calendar year, which is referred to as the Data Year.

- A. If a PCO is a covered entity or a member of a controlled group under Section 9010 of the Affordable Care Act that is required to file IRS Form 8963, Report of Health Insurance Provider Information (Report 8963), the PCO must perform the following steps. Submission is not required if the PCO is exempt from the HIPF.
1. By May 5th of each calendar year, the PCO shall provide the Department with a copy of Form 8963 submitted to the IRS. The PCO shall also provide, for each line on Form 8963 that reports premiums written, the amount of Healthy PA (HPA) premium included on that line.
 2. The PCO will provide to the Department a copy of the IRS HIPF preliminary fee calculation notice within 10 business days of its receipt from the IRS.
 3. If a corrected Form 8963 is submitted to the IRS during the error correction period, the PCO shall provide the Department with a copy of all such reports within 10 business days of submission to the IRS. The PCO shall also provide, for each line on a corrected Form 8963 that reports premiums written, the amount of HPA premium that is included on that line.
 4. By September 7 of each Fee Year, the PCO will provide the Department with a copy of the IRS HIPF final fee calculation notice for that Fee Year.
 5. If the PCO's net income is subject to federal income tax and the PCO desires the Department to consider this in its calculation of the payment amount, the PCO shall provide the average federal income

tax rate that applies to its income for the Data Year. The PCO will also provide the amount of taxable income subject to federal income tax and the amount of federal income tax paid for the most recent income tax year for which a tax filing has been made. The PCO will specify the tax year and will provide the information by September 7.

6. If the PCO's net income is subject to Pennsylvania corporate net income tax and the PCO desires the Department to consider this in its calculation of the payment amount, the PCO shall provide the average state income tax rate that applies to its Pennsylvania corporate net income for the Data Year. The PCO will also provide the amount of taxable income subject to Pennsylvania corporate net income tax and the amount of Pennsylvania corporate net income tax paid for the most recent income tax year for which a tax filing has been made. The PCO will specify the tax year and will provide the information by September 7.

B. The Department will:

1. Review each submitted document and notify the PCO of any questions. The PCO must respond to questions from the Department within five work days.
2. By September 15 of each Fee Year, the Department will pay the portion of the Data Year HIPF Withhold Amounts that covers the HPA portion (specific to this Agreement) of the PCO's HIPF obligation per the IRS HIPF preliminary fee calculation notice (as noted in A.2 above). This payment will be called the Initial HIPF Payment. To calculate the payment amount, the Department will:
 - a. Calculate the HIPF obligation as a percentage of the total data year premiums subject to the HIPF (this total will include all of the first \$25 million and 50% of the next \$25 million of premium deducted by the IRS). This is the "HIPF%", which is unique to each PCO that is subject to the HIPF.
 - b. Calculate Figure A. Figure A is the total revenue for coverage in the Data Year that the Department has provided the PCO for this Agreement, as known through payments made by August 1 of the Fee Year. The Figure A amount has no provision for the HIPF obligation.
 - c. Calculate Figure B. Figure B is the portion of Figure A that is for services subject to the HIPF. Capitation revenue for services that are excludable under Section 9010, such as long-term care services, will not be included in Figure B. The Figure B amount has no provision for the HIPF obligation.

- d. Calculate Figure C. Figure C is the calculation of total revenue that incorporates provision for the HIPF and other taxes. The Department will use the following formula to calculate Figure C. If the PCO has not provided satisfactory documentation of federal income tax obligations under section A.5, then the Average Federal Income Tax Rate (AvgFIT%) in the formula will be zero. If the PCO has not provided satisfactory documentation of Pennsylvania corporate net income tax obligations under section A.6, then the Average State Income Tax Rate (AvgSIT%) in the formula will be zero. The applicable Gross Receipts Tax percentage (GRT%) is inclusive of any applicable PURTA percentage. If Gross Receipts Tax does not apply, then the GRT% amount is zero.

$$\frac{\text{Figure B} \times (1 - \text{GRT}\%)}{1 - \text{GRT}\% - (\text{HIPF}\% / (1 - \text{AvgSIT}\% - \text{AvgFIT}\% \times (1 - \text{AvgSIT}\%)))}$$

- e. Calculate Figure D. The Department will calculate Figure D by subtracting Figure B from Figure C.
 - f. The Department will compare Figure D with the sum of the HIPF Withhold amounts it has withheld for this Agreement for the Data Year. The lesser of these two figures will be the Initial HIPF Payment amount.
3. The Department will utilize the steps provided in B.2. above to calculate a Final HIPF Settlement Amount, with these exceptions:
- a. The Department will utilize the IRS HIPF final fee calculation notice for that Fee Year instead of the preliminary fee calculation notice.
 - b. Figure A is the total revenue for coverage in the Data Year, excluding the Initial HIPF Payment under section B.2, that the Department has provided the PCO for this Agreement, as known through payments made by November 1 of the Fee Year.
 - c. The Final HIPF Settlement Amount will be the difference between the new Figure D and the Initial HIPF Payment Amount, except that the sum of payments may not exceed the sum of the HIPF Withhold Amounts for the Data Year.

C. The Department will perform the steps provided by this Appendix 3a for any year that a PCO pays a HIPF, even if the PCO is no longer providing HPA services during that Fee Year.

D. The PCO shall notify the Department if the HIPF actually paid is less than the amount in the IRS final fee calculation notice or if the IRS refunds any portion of the HIPF. If such changes affect the calculations provided in Appendix 3a,

the Department will recalculate its obligation and the PCO will refund the difference.

- E. The Department will not make a payment per this Appendix 3a if the PCO is not subject to the HIPF.
- F. The Department will have no obligation to the PCO per this Appendix 3a unless CMS has approved the Agreement that includes this appendix.