Sections 4375 & 4376 – Insured and Self-Insured Health Plans

Adjusted Applicable Dollar Amount for Fee Imposed by §§ 4375 and 4376

Notice 2014-56

I. PURPOSE

This notice provides the adjusted applicable dollar amount to be multiplied by the average number of covered lives for purposes of the fee imposed by §§ 4375 and 4376 of the Internal Revenue Code for policy years and plan years that end on or after October 1, 2014, and before October 1, 2015. This notice also provides that the adjusted applicable dollar amount for policy years and plan years that end on or after October 1, 2015, will be published in guidance of general applicability published in the Internal Revenue Bulletin.

II. BACKGROUND

Section 4375 imposes a fee on the issuer of a specified health insurance policy for each policy year ending after September 30, 2012, and before October 1, 2019. Section 4376 imposes a fee on the plan sponsor of an applicable self-insured health plan for each plan year ending after September 30, 2012, and before October 1, 2019. The fee imposed by §§ 4375 and 4376 helps to fund the Patient-Centered Outcomes Research Institute (PCORI) and is calculated using the average number of lives covered under the policy or plan and the applicable dollar amount for that policy year or plan year. Under §§ 4375(a) and 4376(a), the applicable dollar amount is $2 for policy and plan years ending on or after October 1, 2013, and before October 1, 2014.[1] Treas. Reg. §§ 46.4375-1(c)(4) and 46.4376-1(c)(3).

Under §§ 4375(d) and 4376(d) and Treas. Reg. §§ 46.4375-1(c)(4) and 46.4376-1(c)(3), the applicable dollar amount for policy years and plan years ending in any Federal fiscal year beginning on or after October 1, 2014 is increased based on increases in the projected per capita amount of National Health Expenditures. Specifically, the applicable dollar amount is the sum of –

(i) The applicable dollar amount for the policy year or plan year ending in the previous Federal fiscal year; plus

(ii) The amount equal to the product of –

  (A) The applicable dollar amount for the policy year or plan year ending in the previous Federal fiscal year; and

  (B) The percentage increase in the projected per capita amount of the National Health Expenditures most recently released by the Department of Health and Human Services (HHS) before the beginning of the Federal fiscal year.

Based on the percentage increase in the projected per capita amount of the National Health Expenditures published by HHS on September 3, 2014, the applicable dollar amount that must be used to calculate the fee imposed by §§ 4375 and 4376 for policy years and plan years that end on or after October 1, 2014, and before October 1, 2015, is $2.08. See www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/Downloads/Proj2013tables.zip, Table 3.

[1] The applicable dollar amount is $1 for policy and plan years ending before October 1, 2013.

III. ADJUSTED APPLICABLE DOLLAR AMOUNT

For policy years and plan years ending on or after October 1, 2014, and before October 1, 2015, the adjusted applicable dollar amount is $2.08.

For policy years and plan years ending on or after October 1, 2015, and before October 1, 2019, the adjusted applicable dollar amount will be published in guidance of general applicability published in the Internal Revenue Bulletin.

IV. EFFECTIVE DATE

This notice is effective for policy years and plan years ending on or after October 1, 2014.

V. DRAFTING INFORMATION

The principal author of this notice is R. Lisa Mojiri-Azad of the Office of Associate Chief Counsel (Tax Exempt & Government Entities). For further information regarding this notice, contact Ms. Mojiri-Azad at (202) 317-5500 (not a toll free call).