

MAY 19 2015

From: Juanita.Vorel@priorityhealth.com
Sent: Friday, May 15, 2015 4:15 PM
To: Notice Comments
Subject: Comments on Notice 2015-16 Excise Tax on High-Cost Employer-Sponsored Health Coverage

Thank you for the opportunity to provide input on the Excise Tax on High Cost Employer-Sponsored Health Coverage under §4980I of the Internal Revenue Code. The comments below include the section names that correlate with Notice 2015-16 for ease of reference.

IV. Determination of cost of applicable coverage

Determination of applicable premium under COBRA

We recommend the guidelines allow for the exclusion of applicable federal and state taxes including the annual fee on health insurance providers.

HSAs and Archer MSAs

According to the Notice, the cost of applicable coverage "shall be equal to the amount of employer contributions under the arrangement," which include "salary reduction contributions."

We are concerned that subjecting employees' contributions to health savings accounts to an excise tax will serve as a deterrent for this important consumer-directed health plan option. It could also deter employers from administering salary reductions thus requiring employees to manage their contributions and relevant tax implications without the ease of payroll deduction.

According to a July 2014 survey by America's Health Insurance Plans, the monthly premiums for HSA-compatible high-deductible health plans was well below the threshold set for the excise tax. HSAs encourage plan members to be more involved in their own health care by requiring them to be active decision-makers about how their health care dollars are spent. Requiring employers to calculate employees' salary deduction as part of the applicable cost of coverage could result in employers moving away from this benefit design, which is now used by more than 17 million Americans.

Further, employees' HSA contributions have had the advantage of being pre-tax but would now be subject to a tax (based on the combined total of the premium and salary reductions in relation to the threshold amount). This seems contrary to the tax-preferred intent Treasury has cited for creation of health savings accounts.

Self-insured methods

Treasury and IRS requested comments on "the maximum length of time after the end of the plan year that should be permitted to account for claims submitted after, but incurred during the plan year." We recommend this period be no less than three months.

We also encourage Treasury & the IRS to give self-funded employers the flexibility to choose methods to compute the applicable premium just as they have that discretion when administering the PCORI fee.

V. Applicable Dollar Limit

Age and gender adjustments

We recommend an allowance for age/gender adjustments when employee populations have age/gender characteristics that are different from those of the national workforce. Of particular concern is a small employer that may have a higher number of older employees which could skew the amount of their coverage in excess of the threshold particularly given

the new 3:1 rating rules governing pricing within this market. This could create an unintentional deterrent to hiring older workers.

Clarifications sought

In addition to the information provided in Notice 2015-16, we would like forthcoming regulations to provide clarifications on the following items:

- How are Medicare Advantage group policies impacted by the Excise Tax? Are these plans excluded from this tax?
- Is the excise tax a deductible business expense?

In closing, Priority Health appreciates the opportunity to offer comments as the Treasury and IRS begin formulating the regulatory impact of the Excise Tax on High-Cost Employer-Sponsored Health Coverage.

Regards,

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