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

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

Notice 2017-61

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, 2017, and before October 1, 2018.

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 Trust Fund (PCORTF) 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

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

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.

Notice 2016-64, 2016-46, I.R.B. 726, provides that the adjusted applicable dollar amount for policy years and plan years that end on or after October 1, 2016, and before October 1, 2017, is $2.26.

III. ADJUSTED APPLICABLE DOLLAR AMOUNT

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, 2017, and before October 1, 2018, is $2.39. The increase from the prior amount is calculated by multiplying the adjusted applicable dollar amount for policy years and plan years ending in the previous Federal fiscal year, $2.26, by the percentage increase of the projected per capita amount of National Health Expenditures published by HHS on February 14, 2017. See : https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-

Reports/NationalHealthExpendData/NationalHealthAccountsProjected.html, Table 3. The percentage increase is calculated after adjustment to reflect updates to the data used to calculate the prior amount, $2.26, which was based on the per capita amounts of National Health Expenditures for 2016 and 2017 published by HHS on July 12, 2016.

IV. EFFECTIVE DATE

This notice is effective for policy years and plan years ending on or after October 1, 2017.

V. DRAFTING INFORMATION

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