



The Commonwealth of Massachusetts  
Executive Office of Health and Human Services  
Office of Medicaid  
One Ashburton Place, Room 1109  
Boston, Massachusetts 02108



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April 2, 2015

Senator Karen Spilka  
Chair, Senate Committee on Ways and Means  
State House, Room 212  
Boston, MA 02133

Senate Chair James Welch  
Joint Committee on Health Care Financing  
State House, Room 416A  
Boston, MA 02133

Representative Brian S. Dempsey  
Chairman, House Committee on Ways and  
Means  
State House, Room 243  
Boston, MA 02133

House Chair Jeffrey Sanchez  
Joint Committee on Health Care Financing  
State House, Room 236  
Boston, MA 02133

**Re: MassHealth Report on Reimbursement of Affordable Care Act (ACA) Health Insurer Provider Fee for MassHealth Managed Care Entities**

Dear Chairwoman Spilka, Chairman Dempsey, Chairman Welch, and Chairman Sanchez,

Chapter 165 of the Acts of 2014 (the FY15 budget) requires, in line item 4000-0300, that MassHealth report to you on the amount of reimbursement of the Affordable Care Act's insurer fee and the related tax liability and the methodology for calculating said reimbursement to managed care organizations and senior care organizations. The purpose of this report is to provide you with such information.

The federal Affordable Care Act ("ACA") imposed a new fee on health insurers beginning January 1, 2014, commonly known as the Section 9010 fee or Health Insurer Provider Fee ("HIPF"). The Executive Office of Health and Human Services ("EOHHS") determined that this fee may apply to managed care entities that contract with MassHealth (also referred to as "Contractors" below). MassHealth determined that it will recognize the costs of this fee attributable to MassHealth enrollees for its managed care contracts, including its Managed Care Organization Contracts ("MCO Contract") and Senior Care Organization Contracts ("SCO Contract").

EOHHS requested specific information from its Contractors detailing the amount and basis for their Section 9010 liability. Based on that documentation, MassHealth determined the capitation payments that were made by EOHHS to the Contractors under its managed care contracts that were subject to



the HIPF and reported to the Internal Revenue Service (“IRS”), and subsequently calculated the amount of the HIPF allocable to the Contractors’ MassHealth lines of business (“the MassHealth portion of the HIPF”). In addition to the amount of the HIPF allocable to the Contractors’ MassHealth lines of business, the MassHealth portion of the HIPF also includes any corresponding amounts for tax-related federal and state corporate income tax liability.

In accordance with informal guidance from the Centers for Medicare and Medicaid Services (CMS), MassHealth retroactively adjusted the Contractors’ capitation rates in effect during Calendar Year 2013 to reflect the MassHealth portion of the HIPF. For Calendar Year 2013, such adjustment was a retroactive one-time adjustment made as a single payment to the Contractors.

The equation below illustrates the methodology MassHealth used to calculate the MassHealth portion of the HIPF, or the share of the HIPF that may be allocated to a Contractor’s MassHealth line of business under the MCO Contract, SCO Contract, PACE Contract, and BH Contract. The calculation was performed separately for each managed care entity by applicable managed care contract. MassHealth first calculated the capitation payments made by EOHHS to the Contractor under the applicable managed care contract as a percentage of total net premiums received by the Contractor as reported in the final IRS 5067C HIPF assessment letter. MassHealth then applied that percentage to the total HIPF assessed to the Contractor by the IRS to calculate the MassHealth portion of the HIPF.

<b>(A)</b>	<b>(B)</b>	<b>(C) = (B)/(A)</b>	<b>(D)</b>	<b>(E) = (C)*(D)</b>
Sum of total net premiums received by the Contractor as reported in the final IRS 5067C HIPF assessment letter (in \$)	Capitation payments made by EOHHS to the Contractor under the applicable managed care contract (in \$)	Capitation payments described in (B) as % of premiums described in (A)	Total HIPF assessed to the Contractor by the IRS (owed for all lines of business) (in \$)	MassHealth portion of the HIPF for the applicable managed care contract (i.e. MassHealth portion of the HIPF attributed to the capitation payments described in (B)) (in \$)

The table below shows the amount of the MassHealth portion of the HIPF by managed care contract for Calendar Year 2013:

<b>Summary Table Health Insurer Provider Fee Calendar Year 2013</b>	
<b>MCE Contract</b>	<b>Payment Amount</b>
MCO Contracts	\$12,627,178
BH Contract	\$11,858,682
SCO Contracts	\$2,376,506
PACE Contracts	\$45,343.12
<b>Total All MCE's</b>	<b>\$26,907,708.81</b>

Please note that the contract amendments reflecting these payments are subject to approval by the federal Center for Medicare and Medicaid Services (CMS).

We hope you find this information useful and informative. Please contact John May at 617-573-1763 if you have any questions about this report. Thank you for your continued support of the MassHealth program.

Sincerely,

Daniel Tsai  
Assistant Secretary, MassHealth

cc: Marylou Sudders, Secretary, Executive Office of Health & Human Services