

SUPPORTING STATEMENT
Health Insurance Providers Fee and
Form 8963, Report of Health Insurance Provider Information
OMB No. 1545-2249

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

Section 9010 of the Patient Protection and Affordable Care Act (PPACA), Public Law No. 111-148 (124 Stat. 119 (2010)), as amended by section 10905 of PPACA, and as further amended by section 1406 of the Health Care and Education Reconciliation Act of 2010, Public Law 111-152 (124 Stat. 1029 (2010)) (collectively “the ACA”) imposes an annual fee on health insurance providers that provide health insurance for United States health risks (a covered entity).

The final regulations describe how the IRS will administer the health insurance providers’ fee. Members of a controlled group are treated as a single covered entity. The regulations generally allow members of a controlled group to designate a single entity to report on their behalf and section 57.2(e)(2) requires each member to maintain a record of its consent to the designated entity.

Form 8963, Report of Health Insurance Provider Information, is a new form established under Section 9010 of the Patient Protection and Affordable Care Act (PPACA), , requiring any covered entity engaged in the business of providing health insurance related to United States health risks must annually report its net premiums.

This information collection covered under the regulation are the recordkeeping requirements prescribed in §57.2(e)(2) that each member of a controlled group are to maintain records of consent to the controlled group’s selection of the designated entity.

2. USE OF DATA

The IRS will use Form 8963 to require each covered entity to annually report its net premiums written for health insurance of United States health risks during the data year. The IRS will use the data for compliance purposes. In the situation where a designated entity is reporting information for another controlled group member covered entity, the IRS may need to verify that the member covered entity gave the designated entity consent to report on its behalf.

3. USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN

We intend to offer electronic filing of Form 8963.

4. EFFORTS TO IDENTIFY DUPLICATION

We have attempted to eliminate duplication within the agency wherever possible.

5. METHODS TO MINIMIZE BURDEN ON SMALL BUSINESSES OR OTHER SMALL ENTITIES

We have attempted to minimize the burden on small businesses and other small entities.

6. CONSEQUENCES OF LESS FREQUENT COLLECTION ON FEDERAL PROGRAMS OR POLICY ACTIVITIES

Not applicable.

7. SPECIAL CIRCUMSTANCES REQUIRING DATA COLLECTION TO BE INCONSISTENT WITH GUIDELINES IN 5 CFR 1320.5(d)(2)

Not applicable.

8. CONSULTATION WITH INDIVIDUALS OUTSIDE OF THE AGENCY ON AVAILABILITY OF DATA, FREQUENCY OF COLLECTION, CLARITY OF INSTRUCTION AND FORMS, AND DATA ELEMENTS

A notice of proposed rulemaking was published in the **Federal Register** on March 4, 2013, at 78 FR 14034, and provided an opportunity for public comments. Comments received were summarized in the final regulation published November 29, 2013, at 78 FR 71476, as TD 9646.

A 60-day **Federal Register** notice was published on November 21, 2013, at 78 FR 69936, soliciting comments on the Form 8963. We received two comments regarding Form 8963 and they have been forwarded to the appropriate program office for consideration in future revisions. A summary of recommendations received are as follows:

America's Health Insurance Plans (AHIP) submitted the following recommendations:

1. One additional column on Form 8963 be provided for reporting the total amount of direct premiums written included in the SHCE or MLR form (or equivalent reporting form) that are reported as direct premiums written but are not premiums for health insurance coverage subject to the fee.
2. Any amounts excluded by a covered entity from direct premiums written be made publically available by the IRS.
3. Modifying Form 8963, Column to read "Rebates and Other Adjustments" and that the Instructions are amended to clarify that the amount of MLR

and any other rebates paid back to policyholders should be included in that column.

Blue Cross Blue Shield Association offered the following recommendations:

1. BCBSA recommends these entities file Form 8963 so that the IRS and other entities subject to the fee are aware of whom these entities are and that they are claiming to be exempt from paying the HIT.
2. Standardize Requirements for Reporting “Direct Premiums Written” – The methodology for reporting “direct premiums written” should be standardized as much as possible to prevent entities from using the amount from the source document that results in them having the lowest “direct premiums written,” thus requiring other issuers to pay more.
3. Add a Column Where Entities Can Show any Adjustments to the “Direct Premiums Written” Amount – In some cases the amount reported in the “Direct premiums written” column of the SHCE, MLR Form or other equivalent forms will include, or possibly exclude, premium that is subject to the HIT and there needs to be a transparent way for an entity to make adjustments to this number.

9. EXPLANATION OF DECISION TO PROVIDE ANY PAYMENT OR GIFT TO RESPONDENTS

Not applicable.

10. ASSURANCE OF CONFIDENTIALITY OF RESPONSES

Generally, tax returns and tax return information are confidential as required by 25 USC 6103.

11. JUSTIFICATION OF SENSITIVE QUESTIONS

No personally identifiable information (PII) is collected.

12. ESTIMATED BURDEN OF INFORMATION COLLECTION

The collection of information in this proposed regulation is in § 57.2(e)(2) and requires certain entities to maintain records of consent for a designated entity. This information is necessary to evaluate whether an entity has consented to the designation of another entity to report its net premiums written.

We estimate that 800 entities will need to maintain this record. The estimated annual burden per recordkeeper varies from 15 minutes to an hour for each entity, for an estimated average of 30 minutes; for a total annual burden of 400 hours.

Form 8963 is used to report net premiums written for health insurance of United States health risks. The information reported will be used by the IRS to calculate the annual fee on health insurance providers. The estimated number of responses are 2,400; total burden associated with the form is 17,808 burden hours.

| IC | # Respondents | # Responses Per Respondent | Annual Responses | Hours Per Response | Total Burden |
|-------------|---------------|----------------------------|------------------|--------------------|--------------|
| §57.2(e)(2) | 800 | 1 | 800 | 0.50 | 400 |
| Form 8963 | 2,400 | 1 | 2,400 | 7.42 | 17,808 |
| Total | | | 3,200 | | 18,208 |

Estimates of the annualized cost to respondents for the hour burdens shown are not available at this time.

13. ESTIMATED TOTAL ANNUAL COST BURDEN TO RESPONDENTS

Estimates of capital or start-up costs and costs of operation, maintenance, and purchase of services to provide information are not available at this time.

14. ESTIMATED ANNUALIZED COST TO THE FEDERAL GOVERNMENT

The primary cost to the government consists of printing the form. The estimated cost of printing the form & instructions is \$300.

15. REASONS FOR CHANGE IN BURDEN

This revision is to include the Form 8963 in this information collection.

16. PLANS FOR TABULATION, STATISTICAL ANALYSIS AND PUBLICATION

Not applicable.

17. REASONS WHY DISPLAYING THE OMB EXPIRATION DATE IS INAPPROPRIATE

We believe that displaying the OMB expiration date is inappropriate because it could cause confusion by leading taxpayers to believe that the regulations sunset as of the expiration date. Taxpayers are not likely to be aware that the Service intends to request renewal of the OMB approval and obtain a new expiration date before the old one expires.

18. EXCEPTIONS TO THE CERTIFICATION STATEMENT ON OMB FORM 83-I

Not applicable.

Note: The following paragraph applies to all of the collections of information in this submission:

An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless the collection of information displays a valid OMB control number. Books or records relating to a collection of information must be retained as long as their contents may become material in the administration of any internal revenue law. Generally, tax returns and tax return information are confidential, as required by 26 U.S.C. 6103.