Blue Cross Blue Shield of Michigan (BCBSM) is a non-profit health care corporation that provides access to quality health care coverage to the residents of Michigan through a variety of employer based and individual insurance products. As a non-profit health care corporation, BCBSM provides health care coverage to over 4 million residents of Michigan.

The proposed EITF referenced above provides very specific guidance regarding the accounting treatment and the timing of recognition of the annual fee imposed on the pharmaceutical manufacturing industry that was included in the recently enacted Patient Protection and Affordable Care Act. The question of what year to accrue the fee obligation arises due to the fact that the fee is based on prior year drug sales but the obligation arises “upon its first gross receipt of that year.” The proposed EITF clarifies that the fee should not be recorded any earlier than the first day of the annual period that the fee is due reasoning that even if unlikely, an entity could cease providing drugs to government programs.

While BCBSM is not subject to the pharmaceutical fee, beginning in 2014, it will be required to pay a similar fee, the Impostion of Annual Fee on Health Insurance Providers contained in section 9010 of the new law. Similar to the pharmaceutical fee, the insurance provider fee is a type of excise tax based on prior year net written premiums and will be imposed on an “entity engaged in the business of providing health insurance” based on market share based of premiums from the preceding calendar year.

The Annual Fee to be collected by the Federal Government is equal to $8 Billion in 2014 (but will be based on 2013 market share) and increases annually to over $15 Billion by 2019. The timing of expense recognition for the Annual Fee and impact on capital levels is of extreme
importance to the rate setting process and the solvency of health insurers.

Due to the lack of clear accounting guidance and because the issues are similar, BCBSM respectfully requests that the FASB expand the scope of EITF 100D to incorporate the Health Insurance Provider fee in a consistent manner with the fee imposed on pharmaceutical manufacturers in order to clarify that the Health Insurance Provider fee should first be recognized in financial statements beginning in calendar year 2014.

Sincerely,

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