
Finance Committee

HB 2821

Brief Description: Establishing and funding the health insurance affordability account.

Sponsors: Representatives Cody, Robinson, Macri and Pollet.

<p style="text-align: center;">Brief Summary of Bill</p> <ul style="list-style-type: none">• Imposes an additional premium tax on health carriers and managed care organizations and deposits the proceeds in the health insurance affordability account.
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Hearing Date: 2/7/20

Staff: Tracey O'Brien (786-7152).

Background:

Insurance Premiums Tax.

The net premiums collected or received by authorized insurers, except title insurers and fraternal benefit societies, are subject to an insurance premium tax. This includes private insurers, health maintenance organizations, health care service contractors; and self-funded multiple employer welfare arrangements, if not preempted by the Employee Retirement Income Act of 1974. The tax is 2 percent for all taxable premiums, except for ocean marine and foreign trade insurers. Ocean marine and foreign trade insurers are taxed on their net underwriting profit at a rate of 0.95 percent.

Insurance companies file tax returns with the Office of the Insurance Commissioner by March 1 each year, reporting premiums received during the previous calendar year. Most health care taxpayers and insurers must prepay their premium tax for the following year, as follows:

- 45 percent of the prior year's tax is due by June 15;
- 25 percent of the prior year' tax is due by September 15; and
- 25 percent of the prior year's tax is due by December 15.

Reconciliation and payment of the remaining tax is due when the tax return is filed on March 1.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

The receipts from the premium taxes paid by health care organizations as well as other premium taxes, except for those paid on fire insurance, are deposited into the State General Fund and the Health Care Exchange Fund (Fund 17T).

Health Insurance Provider Fee.

Under Section 9010 of the Affordable Care Act, fully-insured carriers began to pay an annual health insurance provider fee in 2014. This includes plan in the large and small group markets, the individual market and Medicaid managed care entities. The payment was ratio-based and was calculated annually by the Internal Revenue Service. Payment was due by September 30 of the year following the base year.

This section was repealed in 2019, so carriers will no longer be making this payment to the federal government after September 2020.

Summary of Bill:

An additional premium tax is imposed on health carriers and managed care organizations. The tax is levied on the total amount of premiums for health benefit plans, dental only plans, vision only plans, and prepayments for health care services provided by managed care organizations collected and received during the preceding calendar year. For taxes due in 2021, the rate is 2.2 percent and for taxes due in 2022 and thereafter, the rate is 1.5 percent.

Moneys collected from this tax must be deposited in the newly created health insurance affordability account. Expenditures from the account may only be used for low-income health insurance programs.

Appropriation: None.

Fiscal Note: Requested on January 23, 2020.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.