
Appropriations Committee

HB 2110

Brief Description: Concerning taxes and service charges on certain stand-alone dental plans offered through the health benefit exchange.

Sponsors: Representatives Tharinger and Schmick.

Brief Summary of Bill

- Ends the direction of insurance premium tax revenue from stand-alone dental plans sold through the Health Benefit Exchange (Exchange) into the Health Benefit Exchange Account (Account).
- Directs insurance premium tax revenue from stand-alone pediatric dental plans sold through the Exchange into the Account starting January 1, 2016.
- Imposes the Business and Occupation tax on stand-alone adult and family dental plans sold through the Exchange at a rate of 1.5 percent and directs the revenue into the Account.
- Allows the Exchange to collect a service charge from issuers selling stand-alone adult and family dental plans through the Exchange.
- Requires the Exchange to monitor and report annually on enrollment in stand-alone adult and family dental plans sold through the Exchange.

Hearing Date: 4/6/15

Staff: Erik Cornellier (786-7116).

Background:

Health Benefit Exchange.

The Washington Health Benefit Exchange (Exchange) manages an online marketplace for individuals, families, and small businesses in Washington to compare and enroll in health

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insurance and dental coverage and gain access to tax credits, reduced cost sharing, and public programs such as Medicaid.

The Exchange was established as a self-sustaining public-private partnership that is separate and distinct from the state. To be "self-sustaining," the Exchange must be capable of operating with revenue attributable to the operation of the Exchange. Self-sustaining sources of revenue include federal grants, federal premium tax subsidies and credits, charges to health carriers, premiums paid by enrollees, and insurance premium taxes.

Health Benefit Exchange Account.

The Health Benefit Exchange Account (Account) receives premium taxes on insurance plans and stand-alone dental plans sold through the Exchange, carrier assessments, and federal grants. Moneys in the account may only be spent after appropriation, and expenditures from the account may only be used to fund the operation of the Exchange.

Exchange Dental Plans.

All qualified health plans (QHP) must provide federally designated essential health benefits (EHB) which include pediatric oral care. The QHPs are not required to cover the pediatric dental EHB as long as there is at least one stand-alone dental plan on the Exchange that offers the pediatric dental EHB. The Exchange currently offers stand-alone pediatric dental coverage.

Insurance Premium Tax.

With some exceptions, insurance companies must pay a 2 percent insurance premium tax to the state. The tax is imposed on the total amount of all premiums and prepayments for health care services collected or received by the insurer during the preceding calendar year. Revenue from health plans sold through the Exchange is deposited in the Account.

Stand-alone dental plans generally are not subject to the insurance premium tax, except that stand-alone dental plans sold through the Exchange are taxed and the revenue is directed into the Account.

Business and Occupation Tax.

Almost all businesses located or doing business in Washington are subject to the state Business and Occupation (B&O) tax. The B&O tax is imposed on the gross receipts of business activities conducted within the state. Revenues are deposited in the State General Fund.

The classification and rate of the B&O tax is based on the type of business activity. The most common types of activities include retailing, wholesaling, manufacturing, and services and other activities, such as sales commissions. There are several rate categories, and a business may be subject to more than one B&O tax rate, depending on the types of activities conducted. There are many exemptions for specific types of business activities, and certain deductions and credits are permitted under the B&O tax statutes.

The B&O tax applies to stand-alone dental plans that are not subject to the insurance premium tax. The B&O tax rate on issuers of stand-alone dental plans is 1.5 percent. Issuers of stand-alone dental plans may deduct payments to providers from their tax obligations. Issuers that are nonprofit health and social welfare organizations may also deduct receipts from state and federal governments for health care services.

Exchange Carrier Assessment.

The Exchange may impose an assessment on health and stand-alone dental plans sold through the Exchange in an amount necessary to fund the operations of the Exchange in the following calendar year. The Exchange may only impose the assessment if the expected insurance premium taxes and other funds deposited in the Account are insufficient to fund the Exchange's operations in the following calendar year at the level appropriated by the Legislature in the omnibus appropriations act.

The Exchange, in collaboration with the issuers, the Health Care Authority, and the Insurance Commissioner, must establish a fair and transparent process for calculating the assessment amount. The assessment only applies to issuers that offer coverage in the Exchange and only for those market segments offered. The assessment must be based on the number of enrollees in qualified health plans and stand-alone dental plans in the Exchange for a calendar year. The assessment must be established on a flat dollar and cents amount per member per month, and the assessment for dental plans must be proportional to the premiums paid for those plans. The Exchange must notify issuers of the assessment amount on a timely basis and establish an appropriate assessment reconciliation process that is administratively efficient. The assessment is due in quarterly installments. The Exchange must establish a procedure to allow issuers to have grievances reviewed by an impartial body and reported to the Exchange Board. The Exchange must establish a procedure for enforcement of the assessment. The Exchange must deposit proceeds from the assessment in the Account.

Health benefit plans and stand-alone dental plans may identify the amount of the assessment to enrollees, but the plans may not bill enrollees for the amount of the assessment separately from premiums.

Health Benefit Exchange Enrollment Monitoring.

The Exchange must monitor enrollment and provide periodic reports that must be available on its web site.

Summary of Bill:

Insurance Premium Tax on Stand-Alone Dental Plans.

The insurance premium tax does not apply to stand-alone dental plans sold through the Exchange. Instead, it applies to stand-alone pediatric dental plans sold through the Exchange starting January 1, 2016.

Business and Occupation Tax on Exchange Stand-Alone Adult and Family Dental Plans.

The B&O tax applies to stand-alone adult and family dental plans offered through the Exchange at a rate of 1.5 percent. The revenues collected must be deposited in the Account.

Exchange Service Charge on Stand-Alone Adult and Family Dental Plans.

The Exchange may impose a service charge on issuers selling stand-alone adult and family dental plans through the Exchange. The requirements for the service charge are the same as for the carrier assessments with a few exceptions. The service charge may only be imposed to collect enough revenue to fund operations related to stand-alone adult and family dental plans. It may be charged only if the expected amount of B&O taxes collected on stand-alone adult and family dental plans sold through the Exchange and other funds deposited in the Account in the current calendar year are insufficient to fund the stand-alone adult and family dental operations costs incurred beginning January 1, 2016. The service charge does not have to be proportional to the premiums paid. The Exchange must display the amount of the assessment on a per member per month basis for enrollees.

Stand-Alone Adult and Family Dental Enrollment.

The Exchange must monitor enrollment in stand-alone adult and family dental plans and provide reports annually on its web site.

Appropriation: None.

Fiscal Note: Preliminary fiscal note available.

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