



Health Insurance Claims Assessment Act Frequently Asked Questions October 2011

Why did the state government decide to impose a new tax?

Michigan had to find new way to fund the Medicaid program in order to prevent an additional deep \$1.2 billion cut to the state Medicaid program. The Snyder administration believes The Health Insurance Claims Assessment Act will satisfy funding criteria established by the Center for Medicare and Medicaid Services.

How will the state government use this tax revenue?

All money collected under the Act will be deposited into the Health Insurance Claims Assessment Fund. The Department of Treasury will transfer money from the fund only to finance the expenditures of Medicaid plans.

Will there be new increased premium rates? How much will the rate increase be?

There will not be a new increased premium rate. The tax amount owed will appear as a line item on each monthly bill. The amount for this tax assessment will be a factor of 0.90%, which was determined as a percent of premium. This means that HAP today, based on distribution of products and services, anticipates that we will spend 90% of received premiums on payment of claims that are subject to the new Act.

Which paid claims are subject to the assessment?

Health insurers have to pay this tax based on claims related to health and medical services, including the following: Services included in providing medical care, dental care, pharmaceutical benefits, or hospitalization, including services provided in a hospital or other medical facility; ancillary services including ambulatory services and emergency and nonemergency transportation; behavioral health services and services provided by a doctor or other practitioner. Veterinarians, marriage and family therapists, athletic trainers, massage therapists, licensed professional counselors are exempt.

Which paid claims or plans are exempt?

Paid claims and plans that are exempt from this tax include: Specified accident-only plans, disability income, long-term care, automobile and worker's compensation, supplemental liability insurance, services rendered to nonresidents and services rendered outside Michigan. FEHB, Medicare, Medicare Advantage, Part D, Tricare, U.S. Veterans Administration, PPACA high-risk pools, Medicaid fee-for-service and claims for a nonresident of Michigan, and for services provided outside of Michigan to a resident and individual reimbursements under FSA, HSA, or MSA and cost-sharing requirements paid by individuals (e.g. deductibles, copays or coinsurance) are also exempt.

Which billing statement will show the first tax allocation?

HAP will begin allocating this charge as a line item assessment on the 1/1/12 monthly billing statement.

Rather than reflect this tax in premiums, could individuals be billed via quarterly statements?

HAP determined that the most cost-effective, efficient approach would be to show the allocation as a new and separate line item on each monthly billing statement via our existing monthly billing process.