McGraw Wentworth

# SPECIAL Alert

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*In this sixth McGraw Wentworth Special Alert for 2014, we review a new Michigan State law, Public Act 162. The new state law reduces the amount of the Michigan Health Insurance Claims Assessment. The current fee is a 1% assessment for claims paid on behalf of Michigan residents. For claims with a date of service of July 1, 2014 or later, the assessment will be reduced to .75%.*

*The reduction is being made because Michigan is arranging for a new tax to help pay for Medicaid on specific managed Medicaid organizations. The tax is expected to be reimbursed by the Federal government. If the government fails to reimburse the tax, the assessment level of 1% may be reinstated in the future.*

*We welcome your comments and suggestions regarding this issue of our Special Alert. For more information on this article, please contact your Account Manager or visit the McGraw Wentworth web site at www.mcgrawwentworth.com.*

# "Change to Michigan Health Claims Assessment"

The State of Michigan recently passed a law making changes to the Health Insurance Claims Assessment Act (HICA). HICA added a 1% assessment to eligible claims incurred by Michigan residents which is paid by the insurance carrier or third party administrator (TPA). HICA was initially reviewed in our *Special Alert*, found at http://www.mcgrawwentworth.com/Special_Alert/2011/Special_Alert_Issue_5.pdf. The funds collected under this assessment are used to fund Medicaid. Please note that the sunset date for the initial regulations was extended until December 31, 2017.

The new law is called Public Act 162. It makes the following changes to the claims assessment tax:

- The 1% assessment will be reduced to .75%. The reduction applies to dates of service beginning on or after July 1, 2014 until December 31, 2017.
- The new law clarifies who is responsible for the tax:
  - A group health plan sponsor is not responsible for the assessment on a claim paid by a third-party administrator (TPA) or stop-loss carrier.
  - The TPA is responsible for all assessments on all claims paid, except for excess loss or stop-loss claims.
  - The excess loss or stop-loss carrier is responsible for the assessment on claims they pay.
  - Insurance carriers are responsible for the tax on insured plans.
- The new law maintains the annual $10,000 limit on assessments per insured individual or covered life.

The reason the assessment is being decreased is because a new "use tax" will apply to Michigan managed Medicaid organizations. This tax is supposed to be reimbursed by the federal government, which is indirectly picking up part of the cost of Medicaid in Michigan. As a result, fewer funds are needed from the health insurance claims assessment.

The new law notes that the assessment may be returned to the 1% level if the federal government does not reimburse managed Medicaid organizations for their "use tax." If the assessment must be increased to 1%, then the effective date will be the date the federal government notifies Michigan that the "use tax" revenues assessed on

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specific entities will not be reimbursed. Thus, in simple terms, it looks like Michigan intends to fund part of Medicaid through a "use tax" assessed on Medicaid managed care plans. This "use tax" should be reimbursed by the federal government. If at some point the federal government fails to pick up the tax, the program will need the funding originally targeted, at which point HICA will increase to 1%.


The final regulations retained an overall cap on the funds collected by HICA. Initially, the limit was set at $400,000,000 and was increased annually by the medical inflation rate. The limit remains the same, but is calculated by adding the tax assessed on Medicaid managed care plans along with the claim assessments. The overall cap cannot exceed $450,000,000, regardless of inflationary increases. If funds collected exceed the cap, then plans will be provided with a credit to carry into the next year.

Employers should check with their TPAs and insurance carriers to see when the decrease in the assessment will take effect. MW

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