
Finance Committee

HB 2901

Brief Description: Providing health care premium assistance by imposing a tax on claims paid.

Sponsors: Representatives Riccelli, Cody, Robinson, Stonier and Macri.

Brief Summary of Bill

- Imposes a 1 percent tax on all paid claims by certain health carriers, third party administrators, and employers offering self-funded coverage.
- Proceeds of tax must be used to provide premium assistance to qualified individuals.

Hearing Date: 2/27/20

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 (OIC) 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.

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.

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

The receipts from the premium taxes paid by health care organizations and 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).

Summary of Bill:

Premium Assistance Tax.

In addition to any other taxes owed by a covered entity, a 1 percent tax is imposed on all paid claims by a covered entity during the preceding calendar year. The tax is due annually by March 1, beginning in 2021 for all claims paid during calendar year 2020.

The proceeds from the tax imposed must be deposited into the premium assistance account that is created in the act. Expenditures from the account must only be spent on the premium assistance program.

A covered entity is a health carrier, a third party administrator, and employers offering self-funded coverage.

Paid claims includes the net recovery of actual payments made on behalf of a Washington resident to a health and medical services provider or reimbursed to an individual by a covered entity. Health and medical services include the furnishing of medical care, dental care, pharmaceutical care, and care provided in a hospital or other medical facility. It also includes ancillary services, behavioral health services, and services provided by other regulated health professionals.

Paid claims does not include claims-related expenses, payments to a qualifying provider under an incentive compensation arrangement, claims paid related to accident, liability or disability coverage, payments made to a nonresident for service provided out-of-state, claims paid by a tribal government or a Taft-Hartley trust, claims paid under federal or state programs, payments made under a health savings or flexible savings account, co-payments and deductibles, and services paid to athletic trainers, massage therapists, and mental health counselors.

Premium Assistance Program.

Eligible individuals may receive premium assistance subject to the availability of funds appropriated.

A eligible individual must be a Washington resident who has an income that is at least 133 percent of the Federal Poverty Level (FPL) but not more than 500 percent of FPL and is enrolled in a qualified health plan through the health benefit exchange. The person must also be ineligible for Medicare, a state or federal medical assistance program or other premium assistance program.

The Health Care Authority (Authority) must establish the amount of premium assistance, subject to funds appropriated, on a sliding scale. The Authority must establish an application process and procedural requirements for continued participation. In addition, the Authority must

prioritize premium assistance provided if sufficient funds are not provided to fully fund assistance for all eligible persons.

Premium assistance must be made available no later than the 2022 plan year.

Appropriation: None.

Fiscal Note: Requested on February 28, 2020.

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