

Kinloch Consulting Group

Legislative Alert

New York State Deficit Reduction Plan and Its Impact on Health Insurance



Summary

New York State's Deficit Reduction Plan (DRP) was signed into law by Governor Paterson on February 4, 2009 and requires the Superintendent of Insurance to impose additional taxes, fees and assessments on domestic insurers in order to balance the State's 2008 budget.

On February 11, 2009 the Insurance Department issued a letter (Circular Letter No. 2 2009) to all domestic insurers. The letter states that "the Superintendent is required to impose an additional assessment on domestic insurers...payment is due within 30 days of receipt of the bill. The Department will consider late any payment postmarked after March 13, 2009, and may assess late penalties accordingly."

Carrier Response

Empire Blue Cross Blue Shield has said that in order to maintain long term financial stability they must pass on the increase to their clients. It is expected that other domestic carriers will do the same but no announcements have been made to date.

Empire will be issuing a letter to affected fully-insured clients regarding their specific increase. Non-HMO products will be billed the increase retroactively to January 1, 2009. The effective date for HMO groups is not known at this time.

Financial Impact

Empire estimates that the DRP includes more than \$600 million dollars in additional taxes on health insurance. However, the actual impact on a client by client basis has not yet been determined.

A statement issued by Assemblyman Robert C. Oaks (R, C-Macedon), who voted against the act, states families could see the cost of their health care increase by \$200 to \$400 annually due to the increase in the "covered lives assessment."

Additionally, further increases are possible in the coming months which if enacted, according to Empire, could result in up to 10 percent of premium dollars for some members going toward taxes, fees and assessments to the State.

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While self-insured employers will not be subject to the increase in “covered lives assessment”, the DRP includes fees on claims adjusters who process self-insured plans.

The assessments do not apply to non-domestic insurers.

Those dissatisfied with the assessments and proposed additional assessments can pass those thoughts onto their New York State Legislators.

Action Required

As this issue is still evolving, we will distribute additional information and guidance accordingly.

For additional information on this legislative alert, or for any other employee benefit questions, please contact your Kinloch consultant or your local Kinloch office.

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