

Kinloch Consulting Group

Legislative Alert

New York State Budget 2009 -2010 and Its Impact on Health Insurance



Summary

On April 7, 2009, the New York state budget for the 2009-2010 fiscal year was signed into law by Governor Paterson. The budget imposes additional healthcare taxes above the increases passed in February as a part of the Deficit Reduction Plan (DRP) resulting in over \$700 million of new health care taxes.

As highlighted in Kinloch's March 18th Legislative Alert, the Covered Lives Assessment (CLA), imposed in February as part of the DRP, increased retroactively from October 2008 for both fully insured plans and self insured plans.

The additional healthcare taxes included in the DRP and the 2009-2010 fiscal year budget are outlined below:

- The 332 Tax, a tax borne by all licensed insurers in the state, was increased. The 332 Tax increase was slightly less than expected in the DRP information released February. This tax impacts fully insured plans.
- The Bad Debt & Charity Surcharge (BDC) imposes an increase to the Patient Services Assessment, a tax on inpatient care and ambulatory surgery, from 8.95% to 9.63% effective April 1, 2009. This affects both fully insured and self insured plans.
- The Health Care Premium Tax of 1.75% will expand to include for-profit HMOs. This tax will also apply to the in-network portion of certain POS products linked with for-profit HMOs.
- The Metropolitan Transit Authority (MTA) surcharge will expand to include for-profit HMOs subject to the Health Care Premium tax in the MTA area.
- Application of HCRA Taxes (Covered Lives Assessment and Patient Services Assessment) to out of state Insurers for both fully insured and self-insured plans.

Proposed tax on third party administrators (TPAs) was rejected.

Carrier Response

Empire Blue Cross Blue Shield, who passed along the increase in Covered Lives Assessment to their clients in the spring, has announced their plan to pass along the additional increases effective July 1, 2009 to groups with 51 or more employees. Empire is issuing letters to impacted HMO and POS clients regarding their specific increase. Not all groups will receive increases.

Oxford Health Plans and United Healthcare will absorb the retroactive increases back to October 2008 but plan sponsors, with 51 or more employees, will see premiums raised beginning June 1, 2009 to cover the taxes and assessments increased by the 2009-2010 budget.

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Financial Impact

Taxes on Private health insurance costs will potentially increase from \$3.5 billion to \$4.2 billion which could result in premium increases as high as 10% in some areas of New York.

Carriers not passing along the increase immediately will likely incorporate increases at renewal.

Governor Patterson noted that the deficit could grow requiring the legislature to return to address the deficit prior to the end of the fiscal year.

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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