

## **Michigan's Health Insurance Claims Assessment Act (HICAA)**

**Also Known As: Senate Bill 348 and Public Act 142 of 2011**

### **Frequently Asked Questions**

A 1 percent tax on health claims recently was signed into law in Michigan and will go into effect on January 1, 2012. At this time, Delta Dental is working on implementation and will keep customers and business associates informed as more information becomes available.

#### **1. What is this new Michigan tax?**

The Michigan legislature approved a new 1 percent tax that will be assessed on all paid claims under fully-insured and self-funded health plans beginning January 1, 2012. Governor Snyder signed the legislation into law on September 20, 2011.

#### **2. What is the purpose of this tax?**

The purpose of the tax is to help finance the state's share of Medicaid programs. The tax ensures that Michigan continues to receive federal funds for Medicaid and it replaces the 6 percent use tax currently imposed on Medicaid managed care plan services.

#### **3. When does the tax take effect?**

The tax takes effect on January 1, 2012.

#### **4. What claims does the tax affect?**

The tax applies to the following:

- Medical, prescription drug, and dental claims
- Claims for services provided in Michigan to Michigan residents
- Services provided on or after January 1, 2012
- Both insured and self-insured plans

#### **5. Are there any exemptions to the tax?**

Yes. The tax does not apply to:

- Non-residents who receive services in Michigan
- Michigan residents who receive services outside of the state
- Cost-sharing requirements (deductibles, copays, and coinsurance)
- Flexible spending and health savings account reimbursements
- Federal employee health benefit programs
- Medicare, Medicare Advantage, Medicare Part D
- U.S. Veterans Administration and TRICARE
- Workers' compensation
- Accident, credit, disability income, and long-term care claims

**6. Who collects the tax?**

The assessment will be collected by insurance companies, health maintenance organizations, nonprofit health and dental care corporations, and third-party administrators and paid to the State of Michigan on a quarterly basis.

**7. Will my premium rate increase?**

For group customers, there will be no impact on the premium rate or administrative fee. The tax will be entirely separate and collected as follows:

Risk Groups: Your premium rate will not increase. The tax amount owed will be calculated based on the estimated tax liability. The tax amount will appear as a separate line item on your monthly bill from Delta Dental.

ASO Groups: Your administrative rate will not increase. Your claims bill will include a separate line item containing the tax for all claims subject to this law.

Individual Plans: Delta Dental will incorporate a factor to cover the new tax into the premium rate upon renewal of an individual's existing contract.

**8. How much will it increase my costs?**

Unless the legislature increases the tax rate in the future, your costs will increase no more than the 1 percent specified in the law.

**9. When will I see the new tax on my bill?**

The tax will appear as a separate line item for group customers beginning with the January, 2012 billings.

For individual plans, the tax will appear as part of the premium rate upon renewal of an individual's existing contract.

**10. Is there an expiration date for this new law?**

The new law sunsets on January 1, 2014. At that time, the Michigan legislature will have to decide whether or not to extend the law or find another means of generating revenue for Medicaid.

**The questions and answers provided within this document are for informational purposes only and are based on Delta Dental's current understanding of the law. This material does not constitute legal advice. Customers should consult their own legal counsel for advice specific to their situation.**