HICA Repealed – Replaced with IPA

The Michigan Health Insurance Claims Assessment ("HICA") tax has been repealed, effective as of October 1, 2018. On June 11, 2018, Governor Snyder signed a series of bills repealing the HICA tax.

The catch was that it was conditioned upon approval by the Centers for Medicare & Medicaid Services ("CMS") of the Insurance Provider Assessment (IPA). CMS approved the IPA on December 11, 2018.

What does this mean?

The repeal of the HICA tax became effective on October 1, 2018 and replaced by the IPA retro-effective to October 1, 2018.

What was the HICA?

The HICA was passed in 2011 and assessed a one percent (1%) tax on all health care claims paid by fully insured, individual, short-term medical, Medigap, and self-funded group health plans, with some exceptions, in the State. It was reduced to .75% in April of 2014 and then reverted back to 1% on January 1, 2017. The revenue from HICA was earmarked to support Michigan's Medicaid program. The HICA tax was previously scheduled to sunset on July 1, 2020.

What is the IPA?

Like the HICA tax, the IPA tax will be levied on health insurers, who may then pass the cost through to employer sponsors of fully insured group health plans. **Self-insured group health plans, short term medical, and Medigap are not subject to the IPA.**

The IPA is a three-tiered health insurance tax that is applied to "member months" at varying rates. Member months are defined as the total number of individuals for whom the insurance provider has recognized revenue for one month.

The amount of the IPA will depend on the provider and circumstances. The three tiers are listed below.

- **First Tier**: Medicaid managed care organizations will be subject to a variable and fixed rate. The variable rate will be established each year by the Michigan Department of Health and Human Services ("MDHHS"). The variable rate will apply to a certain number of ***"member months,"*** as specified each year by MDHHS. Any member months in excess of the number specified by MDHHS will be subject to a fixed rate tax of $1.20 per member month.
- **Second Tier**: Health insurers will be subject to a tax of $2.40 per member month for each member month that is not supported by Medicaid funds.
- **Third Tier**: Prepaid Inpatient Health Plans will be charged a fixed fee of $1.20 per member month for each member month that is not supported by Medicaid funds.

"Member months" generally mean the total number of individuals for whom the insurance provider has recognized revenue for one month. Member months exclude individuals enrolled in: short-term medical; 1-time limited duration; noncomprehensive medical; specified disease; limited benefit; accident only; accidental death and dismemberment; disability income; long-term care; Medicare supplement; stand-alone dental; dental; Medicare; Medicare Advantage; Medicare Part D; vision; prescription; other individual write-in coverage; federal employee health benefit; TRICARE; other group write-in coverage; credit; stop-loss; excess-loss; administrative services only, or administrative services contracts.

What are the Next Steps?

In the weeks to follow the Health Insurers will be sending out notices alerting members and employers of this change.