



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: HB 35 HLS 162ES 22
Bill Text Version: REENGROSSED
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Date: June 10, 2016 3:48 PM Author: ANDERS
Dept./Agy.: Insurance Analyst: Shawn Hotstream
Subject: Premium tax

TAX/INSURANCE PREMIUM RE +\$168,300,000 SD RV See Note Page 1 of 1
Establishes the annual minimum tax on health maintenance organizations (Item #5)

Current law provides for a 2.25% annual tax on insurance premiums (life, accident, health, or service insurance).

Proposed law increases the annual tax from 2.25% to 5.5% for health maintenance organizations, including the Louisiana partnerships.

Effective upon governor's signature.

Table with 7 columns: EXPENDITURES/REVENUES, 2016-17, 2017-18, 2018-19, 2019-20, 2020-21, 5-YEAR TOTAL. Rows include State Gen. Fd., Agy. Self-Gen., Ded./Other, Federal Funds, Local Funds, and Annual Total.

EXPENDITURE EXPLANATION

Approximately 90% of the additional revenues collected as a result of this measure are anticipated to be deposited into the Medical Assistance Trust Fund (MATF) to be used as a state match source for federal matching funds for Medicaid provider payments.

REVENUE EXPLANATION

Currently, the Department of Insurance collects a 2.25% health insurance premium tax assessed on health maintenance organizations (HMO's), which includes Medicaid managed care organizations (MCO's). Proposed law increases the annual tax by 3.25% from 2.25% to 5.5%.

Note: The additional revenues reflected in the table above are based on 2015 premiums provided by the DOI, and do not contemplate additional premiums in FY 17 and future years as a result of Medicaid expansion being implemented in the state in FY 17.

In addition, the bill repeals statute that provides for these insurers to pay premium tax in lieu of corporate income and franchise tax. This will subject these insurers to corporate tax.

- Senate Dual Referral Rules House
13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}
13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}
6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

Signature of Gregory V. Albrecht
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Chief Economist