



HOUSE BILL 114: Gross Premiums Tax/PHPs.

2019-2020 General Assembly

Committee:	House Finance. If favorable, re-refer to Rules, Calendar, and Operations of the House	Date:	February 27, 2019
Introduced by:	Reps. Lambeth, Dobson, Howard	Prepared by:	Jennifer Hillman
Analysis of:	PCS to First Edition H114-CSTRxf-1		Staff Attorney

OVERVIEW: *The PCS to HB 114 would apply the premiums tax levied under G.S. 105-228.5 to Medicaid capitation payments received by prepaid health plans in the same manner in which the tax currently applies to gross insurance premiums.*

CURRENT LAW:

- S.L. 2015-245, as amended, requires transition of the current Medicaid and NC Health Choice programs to capitated contracts with prepaid health plans (PHPs) under an 1115 waiver that was recently approved by the Centers for Medicare and Medicaid Services (CMS). Under the waiver, the State will pay prepaid health plans a monthly per-person capitated rate to cover all Medicaid and Health Choice services for their enrollees. The waiver directs that capitation payments to prepaid health plans will begin November 1, 2019.
- Section 8 of S.L. 2018-49 states the intent of the General Assembly to enact legislation by March 15, 2019, to ensure that the premiums tax levied under G.S. 105-228.5 applies to capitation payments received by prepaid health plans, as defined in G.S. 58-93-2, in the same manner in which the tax is applied to the gross premiums from business done in this State for all other health care plans and contracts of insurance provided by insurers or health maintenance organizations subject to the tax. If the General Assembly does not ratify the legislation by March 15, 2019, then the Department of Health and Human Services must correct all actions taken in reliance on the expected legislation, including reissuing the requests for proposals for capitated PHP contracts, if necessary.
- G.S. 105-228.5 requires insurers and health maintenance organizations to pay a 1.9% tax on gross premiums, due annually and collected in quarterly installments. G.S. 58-6-25 imposes a regulatory charge on the premiums tax liability of entities subject to the gross premiums tax. The current regulatory charge is 6.5%, as established in Section 22.2 of S.L. 2018-5.

BILL ANALYSIS: **Section 1** amends Article 8B of Chapter 105 of the General Statutes, including G.S. 105-228.3 and G.S. 105-228.5, and G.S. 58-6-25, as required by Section 8(a) of S.L. 2018-49, as follows:

- Adds prepaid health plans to the types of organizations subject to the gross premiums tax and the insurance regulatory charge.
- Includes capitation payments for the Medicaid or NC Health Choice programs received by a prepaid health plan in the tax base on which the gross premiums tax is imposed.
- Establishes a tax rate of 1.9% for prepaid health plan gross premiums, which is the same rate applicable to other insurance contracts.

Karen Cochrane-Brown
Director



Legislative Analysis
Division
(919) 733-2578

House PCS 114

Page 2

- Allows a deduction for capitation payments refunded by a prepaid health plan to the State, consistent with the deduction allowed for other gross premiums under the statute.

The PCS makes various technical changes to the original bill.

EFFECTIVE DATE: The PCS would be effective October 1, 2019, and would apply to capitation payments received by Prepaid Health Plans on or after that date.