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## **STATE OF MICHIGAN ENACTS 1% TAX ON MEDICAL CLAIMS EFFECTIVE JANUARY 1, 2012**

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On September 20, 2011, Governor Rick Snyder signed into law the Health Insurance Claims Assessment Act, S.B. 348, which will impose a new one percent (1%) tax on paid health care claims.

This tax, which takes effect on January 1, 2012, will be paid by insurers that provide fully-insured plans, and by third party claims administrators in the case of self-funded plans. The tax is intended to help fund Michigan's Medicaid program, and will be paid quarterly, beginning April 30, 2012.

This one percent tax replaces the current six percent use tax applied to Medicaid managed care plan services, which state officials believe could jeopardize federal funding for Medicaid under Health Care Reform.

While all insured Michigan residents will be impacted by this new legislation, it remains unclear how insurers will reflect the additional cost in their statements. At this time, we understand that Blue Cross Blue Shield of Michigan will include it as a line item on member bills, but other carriers may opt to build the tax into their rates.

The new tax applies to most health care claims, but not all. According to the statute, some of the exempt claims include:

- Services for Michigan residents received outside of the state
- Cost-sharing requirements (deductibles, copayments and coinsurance)
- Reimbursements under a flexible spending arrangement, health savings account, Archer medical savings account, Medicare Advantage medical savings account or other health reimbursement arrangements authorized under federal law
- Claims paid under a federal employee health benefit program
- Medicare, Medicare Advantage, Medicare Part D claims
- TRICARE (military-CHAMPUS and the United States Veterans Administration claims)
- Workers' compensation and long-term care claims

The tax is intended to generate \$400 million in annual revenues for the state of Michigan. If the revenue collected exceeds that amount, insurers and third party administrators would receive a credit against their assessments due the next year. Barring any legislative intervention, the tax is set to expire January 1, 2014.

Other states have similar taxes.

Please contact your Account Manager or Account Executive if you have questions or concerns about how this legislation will impact your health insurance coverage.

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