Health Care Legislation Status

MICHIGAN HICA TAX ADVISORY
(Anticipated Repeal of the Michigan HICA Tax)

In 2011, the Michigan Health Insurance Claims Assessment Act (HICA) tax passed amidst controversy. HICA is a state-specific 1% tax on both fully insured and self-funded health care claims and the revenue supports the state’s Medicaid program. While generating revenue, $318 million for Michigan in fiscal year 2016 – 2017, the HICA tax is a disincentive for employers to provide health benefits.

The HICA tax is imposed on both carriers of fully insured group health plans and on TPAs of self-funded group health plans, with the costs inevitably shifted to employers. The HICA tax is scheduled to “sunset” on July 1, 2020, without further legislative action.

What is the proposed change to the HICA tax?

The proposed change is to replace the HICA tax with an Insurance Provider Assessment (IPA) tax. Self-insured group health plans will not be subject to the new tax because the IPA tax is based on “member months,” which will be defined as the total number of individuals for whom an insurance provider has recognized revenue for one month. Since health insurers will continue to be subject to the tax, the cost burden of the IPA will affect fully insured group health plans. If CMS approves this change, Michigan will impose the IPA tax starting on the first day of the calendar quarter in which Michigan receives notification of the approval or October 1, 2018.

Please contact your Oswald client team representative for further information.

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