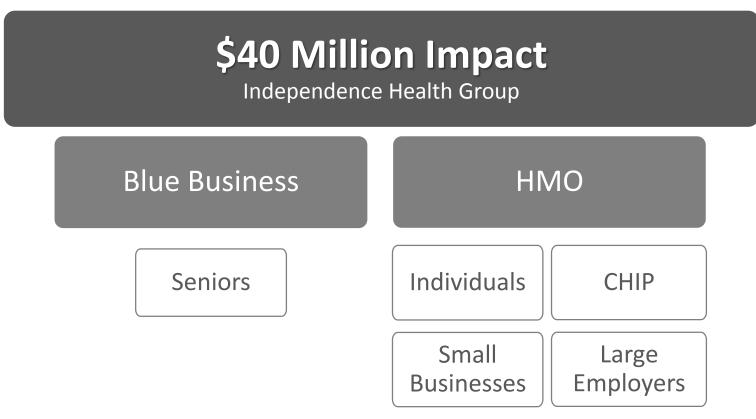


GOVERNOR WOLF'S PROPOSED 2% HEALTH INSURANCE TAX:

BAD NEWS FOR CONSUMERS IN SOUTHEAST PENNSYLVANIA



WHAT YOU NEED TO KNOW:

- Approximately **58,000 seniors** with Independence Medicare Supplement coverage will pay a total of **over \$1 million more per year**
- **CHIP** will incur over \$1 million more per year in costs, impacting the coverage of about **21,000 families** in southeastern Pennsylvania
- The **107,000 Independence members** purchasing individual HMO coverage including through the health insurance exchange will pay an average of **\$120** more per year
 - Our **1,700 small business customers** providing HMO coverage to about **132,000 employees** and their families will pay an average of **\$120 more per employee per year**
 - Our over **1,400 large employers** offering HMO coverage to over **85,000 employees** and their families, will pay nearly **\$90 more per employee per year**



GOVERNOR'S PROPOSED PREMIUM TAX EXPANSION

Issue

The Governor's proposed budget includes \$1 billion in new or expanded taxes. One of those taxes is an expansion of the state's two percent premium tax estimated to raise \$141 million in new state revenues and to include the following entities:

- Not-for-profit hospital plans and health service plans (Blues)
- HMOs
- RANLIs (risk assuming non-licensed insurers)

Concern

In light of the uncertainty surrounding the national debate on health care, policymakers and stakeholders should focus efforts on a health insurance market that is: 1) more affordable for consumers; and, 2) more competitive and encourages health plan participation.

Adding \$141 million to the health insurance premiums of Pennsylvanians defeats both objectives.

Points to Consider

- Expansion of the premium tax has been characterized as closing a "tax loophole" this is inaccurate. Blue plans were statutorily created as tax-exempt entities. HMOs and RANLIs are already subject to the corporate net income tax.
- Increased taxes hurt health insurance purchasers by making coverage less affordable and the Commonwealth by making the market less competitive and unlikely to attract insurers.
- An expanded premium tax is broad-based and falls disproportionately on those struggling to afford health insurance- those who purchase individual health coverage, CHIP, seniors and small businesses.
- An expansion of the premium tax encourages employers to self-insure to avoid paying the tax.
- Independence is the only insurer in southeastern Pennsylvania offering products on the health insurance exchange we are keenly aware of the challenges of the individual market and are working with federal officials for meaningful change to stabilize the market and premiums.
- Despite the non-profit designation and contrary to popular belief, Independence does pay taxes. In 2016, Independence paid just over \$800 million in local, state and federal non-payroll taxes, including over \$30 million in state premium taxes.
- If Pennsylvania expands its premium tax, insurers doing business in other states will be subject to the same tax in those states also known as a "retaliatory tax."
- Timing is important. Health insurers are preparing 2018 rate filings to be finalized this spring. A decision must be made soon as to whether to include the potential new tax in rates our customers will pay in 2018.