

## GOVERNOR WOLF'S PROPOSED 2% HEALTH INSURANCE TAX: BAD NEWS FOR CONSUMERS IN SOUTHEAST PENNSYLVANIA

**\$40 Million Impact**  
Independence Health Group

Blue Business

Seniors

HMO

Individuals

CHIP

Small  
Businesses

Large  
Employers

### WHAT YOU NEED TO KNOW:

- 1** Approximately **58,000 seniors** with Independence Medicare Supplement coverage will pay a total of **over \$1 million more per year**
- 2** **CHIP** will incur **over \$1 million more per year** in costs, impacting the coverage of about **21,000 families** in southeastern Pennsylvania
- 3** The **107,000 Independence members** purchasing individual HMO coverage – including through the health insurance exchange – will pay an average of **\$120 more per year**
- 4** 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**
- 5** 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.