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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2012

A N A C T

RELATING TO HEALTH AND SAFETY -- TAXATION OF HEALTHCARE SERVICES

Introduced By: Representatives Jackson, O'Neill, Keable, Petrarca, and Gallison

Date Introduced: February 08, 2012

Referred To: House Corporations

It is enacted by the General Assembly as follows:

1 SECTION 1. Findings. - The general assembly finds and declares that:

2 (1) The state of Rhode Island funds programs that provide immunizations for children
3 and adults and that make available certain services to children with special needs, as well as
4 raises general revenue, through taxes and assessments on premiums for health care coverage.
5 These are established in Rhode Island general laws sections 23-1-46, 42-12-29 and 44-17.1.

6 (2) These premium-based taxes impact the cost of health insurance coverage only for
7 those Rhode Islanders purchasing fully-insured commercial insurance (individuals and typically
8 small to mid-sized businesses). This current method of raising revenue fails to spread the burden
9 to other tax payers. Out-of-state payers, self-funded plans, and self-pay individuals who benefit
10 from the programs funded by these assessments do not make payments that support these
11 services.

12 (3) In 2011, the General Assembly, recognizing the importance of ensuring that these
13 important programs continue to have a stable and equitable funding source, directed the health
14 insurance commissioner to examine these premium based taxes and possible alternatives for
15 raising the same amount of revenue.

16 (4) Alternatives to the premium based assessments and taxes were evaluated in the April
17 20, 2012 report to the general assembly by the Office of the Health Insurance Commissioner
18 (OHIC) entitled "A Study of Alternatives to Health Insurance Premium Assessments." The report
19 indicated that more equitable alternatives for collecting revenue for the various programs funded

1 through these premium based assessments, such as through placing a surcharge on certain claims
2 for healthcare services rendered in the state of Rhode Island, would be in the interest of all Rhode
3 Islanders. Several other states have adopted such alternatives for generating revenue to support
4 various programs.

5 (5) The OHIC, in a report entitled "Private Insurance Enrollment" (also published in
6 April 2012) indicated a steep and uninterrupted decline in the number of Rhode Islanders covered
7 under fully insured health plans. The report states that there has been a twenty-two percent (22%)
8 decrease in fully insured enrollment, or 88,604 fewer participants since 2005. That means that the
9 funding base for the health programs described in (1) has shrunk from 411,044 in 2005, to
10 322,440 insurance covered in 2011. As the number of people covered under fully insured plans
11 continues to decline, the per capita assessment and tax rate will have to increase to raise the same
12 amount of revenue.

13 (6) In order to consider and ensure an orderly transition of these premium based
14 assessments to a claims based surcharge, the general assembly seeks further information from the
15 executive office of health and human services and the department of revenue.

16 SECTION 2. Comprehensive analysis and implementation plan. – The executive office of
17 health and human services and the department of revenue, in consultation with the health
18 insurance commissioner, are directed to draft an implementation plan for transitioning the current
19 assessments levied upon health insurance premiums, including the child and adult immunization
20 assessments, the children's health account assessment, and the premium tax on health insurers
21 including non-profit hospital and medical services corporations, health maintenance
22 organizations, and accident and sickness insurers, to a surcharge based on health care claims. The
23 implementation plan shall include a financial impact analysis, a timeline for implementation, and
24 a draft work plan for implementation of such a surcharge.

25 The executive office of health and human services should direct the tax administrator as
26 to the amounts needed to be raised to fund the immunization programs for children and adults and
27 for the child services programs and to continue the present process under which funds for those
28 programs would be placed into restricted receipt accounts. The plan shall also minimize the
29 burden of administering any collections and payments by health care facilities.

30 All departments and agencies of the state shall furnish advice and information,
31 documentary or otherwise as is deemed necessary or desirable to facilitate the purposes of the
32 analysis.

33 The executive office of health and human services and the department of revenue shall
34 present an implementation plan including findings and recommendations to the senate president,

1 speaker of the house, and chairpersons of the house and senate finance committees no later than
2 February 15, 2013.

3 SECTION 3. This act shall take effect upon passage.

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EXPLANATION
BY THE LEGISLATIVE COUNCIL
OF
A N A C T
RELATING TO HEALTH AND SAFETY -- TAXATION OF HEALTHCARE SERVICES

1 This act would provide that an implementation plan be drafted with the cooperation of the
2 executive office of the Department of Health and Human Services, the Department of Revenue
3 and the Health Insurance Commissioner to transition current assessments levied on health
4 insurance premiums to a surcharge based on health care claims. The plan must be presented by
5 February 15, 2013.

6 This act would take effect upon passage.

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