Medicaid ACOs and Dental Plans Request ongoing funding of $3.26 million to offset federal tax imposed under Section 9010 of the Affordable Care Act.

1. Detailed and itemized budget.

	SFY '16	SFY '15 Supplemental
Molina	$7.1M	$956K
Select Health	$2.6M	
Health Choice	$353K	
Healthy U	Exempt	
Premier Access	$500K	
Delta Dental	$300K	
Total (State and Federal)	$10.853M	$956K
State Dollars	$3.26M ongoing*	$287K

   a. This federal tax is imposed every year on the premium revenue of a health insurer.
   b. CMS actuarial certification guidelines require taxes to be included in the rate setting process. The funding of rates, including the tax, requires a legislative appropriation.
   c. The tax is estimated at the beginning of the year for appropriation purposes, but not paid to the federal government until September each year. The ACOs and the Utah Department of Health have a reconciliation process after the tax is paid if the tax was originally under or overestimated.
   d. Last year this obligation was funded by one-time funding. The ACA tax reconciliation process showed a shortfall for Molina's reimbursement of $287,000 in General Fund.
   e. The Department of Health requires documentation of the liability, copies of the federal filings, and confirmation of payments.
   f. This is a pass through obligation of a federal tax imposed on a government health care program. Every dollar appropriated goes to the federal tax obligation.
2. Measuring success
   a. $17,147,561 deposited into Medicaid Reduction and Budget Stabilization Restricted Account in 2014.
   b. This amount is directly attributable to savings generated by the ACOs and Dental Plans for the taxpayers of Utah, while maintaining equal or better quality outcomes.

For additional details please refer to reverse side.

The Patient Protection and Affordable Care Act Premium Tax

Section 9010 of the ACA and Section 1406 of the Reconciliation Act impose an annual tax on the health insurance industry beginning in 2014. The tax is based on each covered insurer's relative share of premium revenues and is calculated in August on the previous year's premium revenue. The tax is then due by September of that year.

The tax applies to health, dental and CHIP plans. Non-profit providers pay only 50% of the liability of a like for-profit insurer or are exempt if more than 80% of revenue is from government programs for the low-income, elderly, or disabled. For-profit insurers are fully taxed, even if all of their revenue is from programs for the low-income, elderly, or disabled.

FAQs

1. ***What is unique about taxing the ACOs?***
   - Because Medicaid plans have their rates set by the State, there is no ability for the plan to independently adjust the rates to compensate for the increased costs associated with the tax.
   - Not all plans have the same liability for this tax. It is not fair to see this tax as a cost of doing business. A fair and even playing field is only possible if this tax is fully included in the rates for the plans that pay the tax.
   - With State participation, Feds will cover 70% of their own tax.

2. ***Is the tax already included in rates?***
   - No, the tax is not included in rates, unless specifically appropriated by the Legislature.
   - This tax is an unavoidable and reasonable cost of doing business; however it is not deductible like any other business tax expense.
   - The tax should be separately funded to be included in the rates.

3. ***2015 tax liability?***
   - A set amount each year is set in the ACA. That number is divided by premium revenue to determine the tax liability for each company each year. The 2015 amounts owing by each plan are:

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*small growth needed in future years

Request: Full funding and convert current one-time funding to ongoing.