

# Assessments, Taxes, and Fees on Health Plans & the Impact on Massachusetts' Businesses

## What are the existing assessments, taxes, and fees on health plans in Massachusetts?

Between FY03-FY23, Massachusetts health plans have spent nearly \$5 billion dollars to fund Massachusetts state programs.<sup>1</sup> Health plans in Massachusetts are assessed annually to fund a variety of state agencies and health care trust funds, including Health Safety Net Trust Fund, state agencies operations including Division of Insurance, Health Policy Commission, Center for Health Information and Analysis, Vaccine Purchase Trust Fund, Child Psychiatry Access Project and the latest Behavioral Health Assessment to supports state efforts for behavioral health access and crisis intervention services in the Commonwealth. In addition, Massachusetts collected \$537 million in insurance premium taxes in 2021.<sup>2</sup>

These taxes, fees, and assessments add to costs and are built into premiums paid by employers and consumers. Imposing new assessments on health plans, on top of substantial existing assessments, will increase health care costs for employers, exacerbating the challenge they face to make high-quality, efficient, equitable, and more affordable coverage available to their employees.

## 2023-2024 Legislative Session

This legislative session, there have been 6 bills filed assessing health plans over half a billion dollars to provide funding for hospitals, providers, or other sectors of the health care system, including:

- A \$300 million assessment on health plan risk-based capital (RBC) to be distributed to hospitals, money set aside by health plans to cover unanticipated member claims – [Senate Bill 644/House Bill 1031](#) (Finegold/Gregoire)
- An annual assessment on plans to fund the Health Safety Net Trust Fund shortfall, \$68 million for FY22. Health plans are already annually assessed for one third of the HSNTF shortfall. – [Senate Bill 811/House Bill 1217](#) (Velis/Lawn)
- An assessment of \$15M on plans to fund the Prevention & Wellness Trust Fund – [Senate Bill 1400/House Bill 2266](#) (Lewis/Santiago)

## Talking Points

- Affordability is the most pressing and urgent issue in health care today. Keeping health care affordable is the best way to ensure as many people as possible will have health insurance coverage and access to health care services.
- Imposing new assessments on health plans, on top of substantial existing assessments, will increase health care costs for employers, further exacerbating the challenges they face in making high-quality, affordable, and equitable health care coverage available to their employees particularly in these difficult economic times.
- The addition of new assessments on health plans will add to premium costs, making health care less affordable for employers, individuals, and families, essentially adding a new tax on employers to subsidize hospital finances.
- Instead of shifting the financial burden of hospital solvency to employers and small businesses, efforts should be made to address the root cause of any hospital shortfalls. Numerous studies and reports have noted that hospitals have profitable operating margins that exceeded pre-pandemic levels nationally and locally. Additionally, economists have noted that investment losses are the actual primary driver of non-profit health systems' overall 2022 losses. For hospitals that see a disproportionate amount of Medicaid patients, the state should permanently adjust upwards Medicaid rates for those particular hospitals.

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<sup>1</sup> Assessment on Health Plans & Employers to Fund State Programs: FY03-FY23. MAHP. <https://9a2583.a2cdn1.secureserver.net/wp-content/uploads/2023/01/Cost-Shift-Chart-FY03-FY23-20221213.pdf>

<sup>2</sup> U.S. Census Bureau, 2021 Annual Survey of State Government Tax Collections. Available at: <https://www.census.gov/data/tables/2021/econ/stc/2021-annual.html> (accessed on April 19, 2023).

- While some hospitals are struggling in the current environment—with high inflation, workforce shortages and high costs, policymakers and the state should focus on closely monitoring and evaluating hospital and health plans finances that reflects comprehensive financial picture of ongoing concerns.
- Adding new assessments runs counter to containing health care costs and keeping health care spending within the Commonwealth's cost growth benchmark.
- **Regarding A \$300 million assessment on health plan risk-based capital (RBC) to be distributed to hospitals, money set aside by health plans to cover unanticipated member claims – [Senate Bill 644](#)/[House Bill 1031](#) (Finegold/Gregoire)**
  - Any effort to raid health plan reserves is ill-advised. Reserves are established to protect providers, employers and consumers. Reserves help health plans cover claims when they have unanticipated losses in a given year.
  - State law provides that when a health plan reaches 700% RBC they can be subject to a public hearing relative to their reserve levels. Today, no Massachusetts carrier has that level of reserves.
  - In 2018, the business community strongly opposed any effort to raid health plan reserves for the benefit of the hospital community.