Legislative Analysis

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INSURANCE PROVIDER ASSESSMENT

House Bill 4968 as enrolled
Sponsor: Rep. Greg VanWoerkom
House Committee: Appropriations [Discharged]
Senate Committee: Committee of the Whole
Complete to 10-3-25

(Enacted as Public Act 25 of 2025)

SUMMARY:

House Bill 4968 would amend the Insurance Provider Assessment Act to allow the Department of Health and Human Services (DHHS) to continue with the Insurance Provider Assessment (IPA) tax structure under the act that was approved by the federal Centers for Medicare and Medicaid Services (CMS) on December 20, 2024, and was in place on July 4, 2025, unless the CMS end dates the waiver.[1]

If the federal waiver described above is approved on an ongoing basis, DHHS could use information in the waiver approval instead of annually updating the tax.

If CMS ends the waiver, DHHS would have to propose a tax structure to CMS that complies with updated broad-based and uniform requirements under federal law. Beginning upon CMS approval of a revised IPA tax structure, the bill would levy an annual assessment on the number of ***member months*** for each ***insurance provider*** reported on its annual financial statement filed with DHHS or the Department of Insurance and Financial Services (DIFS), as applicable, for the previous calendar year. The rate would have to determined each year by DHHS for the dollar amount necessary per member month to achieve total revenue of not more than the total revenue due for the tax year of April 1, 2024, through March 31, 2025. The per member month tax rate would have to be the same for all tiers currently described in the act.[2]

> ***Member months*** means the total number of individuals for whom an insurance provider has recognized revenue for one month. If revenue for an individual is recognized for only part of a month, a prorated partial member month may be counted. Member months are determined by DIFS and do not include individuals enrolled in short-term medical, one-time limited duration, noncomprehensive medical, specified disease, limited benefit, accident only, accidental death and dismemberment, disability income, long-term care, Medicare supplement, stand-alone dental, dental, Medicare, Medicare advantage, Medicare part D, vision,

[1] The Insurance Provider Assessment Act provides for a health-care-related tax with both a fixed and variable rate structure that applies to non-Medicaid health insurers, prepaid inpatient health plans, and Medicaid managed care services. The revenue supports the state's Medicaid program. State taxes levied on health insurers are required by federal law to meet certain requirements, including that the taxes be broad-based and uniform, but states can request a CMS waiver under some circumstances. See https://www.michigan.gov/taxes/-/media/Project/Websites/taxes/Tax-Professional/2024-Tax-Text-Chapter-14_Insurance.pdf

[2] See subsection (1)(a), (b), and (c): https://www.legislature.mi.gov/Laws/MCL?objectName=mcl-550-1757

prescription, other individual write-in coverage, federal employee health benefit, Tricare, other group write-in coverage, credit, stop loss, excess loss, administrative services only, or administrative services contracts.

Insurance provider means any of the following:

- A *health insurer*, defined as an insurer authorized under the Insurance Code to deliver, issue for delivery, or renew a health insurance policy in Michigan. The term includes a health maintenance organization, but not a state department or agency administering a plan of medical assistance under the Social Welfare Act or a person administering a self-funded plan.
- A *Medicaid contracted health plan*, defined as a managed care organization that DHHS contracts with to provide or arrange for comprehensive health care services as authorized under the Social Welfare Act.
- A *specialty prepaid health plan*, defined as an entity designated by DHHS as a regional entity or a specialty prepaid health plan under the Mental Health Code to provide mental health services, services to individuals with developmental disabilities, and substance use disorder services.

The bill also would require the director of DIFS to provide written notice to the House and Senate standing committees on insurance issues within 10 days after an insurance provider is issued a suspension of its certificate of authority to transact insurance in Michigan due to failure to pay an assessment, interest, or penalty due under the act.

MCL 550.1757, 550.1761, and 550.1767

FISCAL IMPACT:

House Bill 4968 would allow the Department of Health and Human Services to continue to collect and expend Insurance Provider Assessment revenue to provide for a portion of the state share of Medicaid program expenditures required to draw federal matching revenues for reimbursable services under the Traditional Medicaid program and Healthy Michigan Plan, if the Centers for Medicare and Medicaid Services approves the continued use of the tax structure if it meets the provider tax restrictions under the One Big Beautiful Bill Act (OBBBA), Public Law 119-21.

Currently, the state collects approximately $650.0 million annually in IPA revenue. This revenue is appropriated as state restricted funds to support the state share of capitated payments to Medicaid managed care organizations for behavioral and physical health services rendered, and drawing approximately $1,750.0 million in federal match. Additionally, the revenue generated under the IPA is used to offset less-restrictive GF/GP revenue, which would otherwise be used to cover the state-share of costs.

The OBBBA, enacted July 2025, contains various revisions to how states can structure provider taxes that are eligible for use in providing state-share of Medicaid costs. Specifically, the IPA (or any new/existing provider tax) would be required to be assessed uniformly at a rate not exceeding 6.0% beginning in FY 2027-28 and phased down

incrementally to a cap of 3.5% by FY 2031-32. Michigan's IPA does not currently meet this new uniformity standard, and, to date, CMS has not provided additional guidance on the legality of state provider taxes prior to the effective date of the first cap. This bill would require DHHS to request a waiver from CMS to continue the collection and expenditure of IPA at current rates as the state prepares to implement the required provider tax changes.

Legislative Analyst: Rick Yuille
Fiscal Analyst: Kent Dell

■ This analysis was prepared by nonpartisan House Fiscal Agency staff for use by House members in their deliberations and does not constitute an official statement of legislative intent.