

New Jersey Can Act Now to Make Health Care More Affordable: The Health Insurance Assessment Explained

By Dr. Brittany Holom
Senior Policy Analyst
holom@njpp.org

The COVID-19 pandemic is revealing the fragility of our health system: from disparities in providing care to people of color to budget shortfalls that threaten the state's social safety net. In the midst of these concurrent health and budget crises, New Jersey has the opportunity to expand health coverage by picking up revenue that the federal government is leaving behind through the Health Insurance Assessment (HIA). The HIA would bring in more funding for health care programs, increasing coverage and affordability amongst children and low- and moderate-income families across the state. This explainer answers frequently asked questions about the HIA and how it can improve health care in New Jersey.

What is a Health Insurance Assessment (HIA)?

The Health Insurance Assessment (HIA) is a federal fee on health insurance companies that was established in 2014 to help fund the Affordable Care Act (ACA). This fee is set to expire on January 1, 2021, giving states the opportunity to take on the assessment on insurance providers and capture funding all without raising insurers' payments.¹ States that implement their own HIA have the ability to spend the funds however they see fit, providing them the flexibility necessary to meet their own unique health care needs. Governor Phil Murphy first proposed the HIA for New Jersey in his Fiscal Year 2021 Budget.²

How much revenue would a state-level HIA bring into New Jersey?

The HIA proposed in S2676 is projected to bring in over \$300 million in revenue for New Jersey in calendar year 2021.³ Because the state HIA proposal differs from the existing federal HIA, it will bring in less revenue than if the state had mirrored the federal fee, which would have net the state \$567 million in revenue. This lower revenue figure is a result of the state HIA proposal not applying to Medicaid, Medicare Advantage and prescription plans, or federal employee and retiree coverage, which were included in the federal fee.⁴

Who would benefit from a state-level HIA?

With funds directed toward health care, New Jersey's children, working families, and low- to moderate-income households would benefit from a state-level HIA. Unlike the federal fee, which was not directed toward specific health care costs, a state-level HIA can help provide the funding needed to expand coverage and address existing inequities in access to quality care.⁵ This can be accomplished by using the funds to: provide health coverage for all kids; provide subsidies to low-income residents; create a public plan on the ACA market for families with

income of less than 400% of the federal poverty level (FPL), which, in 2020, is \$68,960 for a family of two or \$104,800 for a family of four.⁶ The state could also offset high claims through the reinsurance program, which partially reimburses insurance providers for high-cost claims, helping to stabilize the market and decrease plan prices.

As we have learned during the COVID-19 pandemic, improving access to health care helps to improve public health for all New Jerseyans. By getting more people covered and giving them greater access to quality care, we can reduce the spread and fatalities from infectious diseases like COVID-19 that occur when residents are unable or reluctant to seek health care when needed.

How would a state-level HIA improve public health and increase affordability?

In New Jersey, the state-level HIA would generate revenue to improve health care access and affordability through a variety of mechanisms, including subsidies, reinsurance, tax policies, outreach and enrollment efforts, and other efforts to extend coverage to and improve affordability of health insurance for low- and moderate-income families and the uninsured. The funds can only be used for these purposes, as outlined in S2676.

The revenue collected could fund initiatives like enrollment efforts for children, so that more affordable coverage options are available to the approximately 80,000 uninsured kids in New Jersey.⁷ Revenues could also be used to improve affordability and coverage options for working families, particularly low- and moderate-income families. With revenue from a state-level HIA, New Jersey could provide subsidies to individuals so they can better afford their insurance, create a public plan on the ACA market that will benefit families with income of less than 400% of the federal poverty level (FPL), and/or offset high claims through the reinsurance program. New Jersey should determine how to most effectively use this revenue based on forthcoming affordability studies by the state Department of Banking and Insurance, as mandated by legislation passed in 2019.⁸

How would a state-level HIA impact insurance providers, and what types of insurance plans would be included?

For insurance providers, a state-level HIA would not be a new fee. The federal HIA came into effect in 2014.⁹ While it was suspended temporarily in 2017 and 2019, the federal HIA is in place for 2020 and was included in the calculations for the 2020 premium rates. By taking action in 2020, New Jersey would be preserving the current assessment, rather than allowing it to lapse.

The state would redirect the assessment funds currently paid to the federal government by individual insurance, small-group coverage, and large-group coverage plans back to the state. Medicaid Managed Care Organizations (MCOs) — which contract with the state to provide Medicaid benefits in exchange for payments from the state — are currently subject to the expiring federal fee. However, under the proposed state-level assessment, these plans would not be included.

The state also cannot legally collect this assessment from Medicare plans or federal employee or retiree coverage, which are included in the federal HIA.

Would a state-level HIA lead to increases in premiums?

Based on the experiences of other states with their own HIA, New Jersey should not see an overall increase in premiums due to the assessment. This is because it continues the structure of fees that is already in place. Further, increasing affordability and coverage would strengthen and improve New Jersey's State-Based Health Exchange, which is set to launch in November 2020.¹⁰ An increase in enrollment would help to lower premiums by improving the risk pool; it would also bring more federal money into the state through premium tax credits, a tax credit that the federal government provides to help lower the cost of monthly premiums on the Marketplace for low- and moderate-income individuals.

Have other states introduced state-level HIAs?

Other states have shown that a state-level HIA can generate funds to help improve affordability of health insurance for state residents. Maryland and Delaware both enacted state-level HIAs when the federal fee was temporarily suspended in 2019 to provide funds for market stabilization efforts.¹¹ Delaware's and Maryland's programs partially reimburse insurance providers for high-cost claims, which helps to keep plan costs down.¹² New Jersey currently has a reinsurance program in place that could similarly benefit from a portion of the funding through a state-level HIA.

At least two more states have sought to take advantage of this opportunity for funding affordability measures this year. In June 2020, Colorado became the latest state to enact its own Health Insurance Assessment, which will fund critical measures to make health coverage more affordable. Specifically, the Colorado HIA will provide additional funding for state-subsidized plans for those who are not eligible for premium tax credits or public assistance health care programs, payments to carriers to help lower premiums for those who already receive a premium tax credit, and their reinsurance program. The legislation will particularly help those families who receive assistance but still find health insurance unaffordable, as well as those who are ineligible for premium tax credits under federal law, including those without sufficient documentation.¹³ New Mexico introduced a similar bill in February. This legislation proposed creating a Health Care Affordability Fund and using the revenue to decrease premiums for residents across the state.¹⁴

Over the last several years, New Jersey has emerged as a national leader in expanding health coverage and keeping insurance affordable amidst ongoing attacks on the Affordable Care Act by the federal government. Establishing a state-level HIA is the natural next step for New Jersey to improve public health and ensure all residents can lead healthy lives.

End Notes

¹ Internal Revenue Service, Treasury. 2020. "Affordable Care Act Provision 9010 - Health Insurance Providers Fee." Online: <https://www.irs.gov/businesses/corporations/affordable-care-act-provision-9010>. The fee is repealed for all calendar years after December 31, 2020.

² Office of Governor Philip Murphy. 2020. *2021 Budget in Brief*. Pg. 26. Can be read online here: http://d31hzhk6di2h5.cloudfront.net/20200225/ce/30/5e/26/39c12d44bf1af2b6bd2ab34a/BIB_FY2021.pdf

³ State of New Jersey, 219th Legislature. 2020. "An Act concerning an assessment on entities authorized to issue health benefits plans and supplementing Title 17B of the New Jersey Statutes." Online: https://www.njleg.state.nj.us/2020/Bills/S3000/2676_11.HTM

⁴ Dorn, Stan. 2020. "A Golden Opportunity for States to Make Health Insurance More Affordable: Rapid Action Required." The National Center for Coverage Innovation. Families USA. Online: <https://familiesusa.org/resources/a-golden-opportunity-for-states-to-make-health-insurance-more-affordable-rapid-action-required/>

⁵ The revenues from the federal fee were used to help cover costs of the establishment and expansion of the ACA, but their specific use for affordability purposes is not legally required.

⁶ Office of the Assistant Secretary for Planning and Evaluation, U.S. Department of Health and Human Services. 2020. "HHS Poverty Guidelines for 2020." 8 January 2020. Online: <https://aspe.hhs.gov/poverty-guidelines>. See "A chart with percentages (e.g., 125 percent) of the guidelines (PDF)" on the right of the page.

⁷ Castro, Raymond. 2019. "It's Time for All Kids Health Coverage." New Jersey Policy Perspective. Online: <http://www.njpp.org/wp-content/uploads/2019/04/NJPP-All-Kids-Coverage-Report-Final-Draft-1.pdf>

⁸ The data could come from a study on methods of improving affordability of coverage that was commissioned through New Jersey's Department of Banking and Insurance (DOBI), which regulates the insurance market in the state. This study was commissioned in the FY 2020 Appropriations Act, which can be found here: https://www.njleg.state.nj.us/2018/Bills/AL19/150_PDF Please see pg. 28, beginning at line 20: "[T]he Commissioner of Banking and Insurance shall commission an actuarial and/or microsimulation analysis of options for the State to provide more affordable health coverage in the individual market for both consumers who are currently eligible for federal financial assistance and those who are not, while reducing disruptions in coverage affordability for consumers who become ineligible for Medicaid due to an increase in the minimum wage or who will lose federal subsidies in the Marketplace or exceed the income limits for federal subsidies in the Marketplace for other reasons."

⁹ Internal Revenue Service, Treasury. 2013. "Health Insurance Providers Fee." *Federal Register* 78 (230): 71476. Document number 2013-28412, Available online: <https://www.federalregister.gov/documents/2013/11/29/2013-28412/health-insurance-providers-fee>

¹⁰ Office of Governor Philip Murphy. 2019. "Governor Murphy Announces New Jersey to Transition to State-Based Exchange." Online: <https://www.nj.gov/governor/news/news/562019/20190628a.shtml>

¹¹ Levitis, Jason, John-Pierre Cardenas, Steven Costantino. 2020. "Considerations for a State Health Insurer Fee Following Repeal of the Federal 9010 Fee." State Health & Value Strategies. Available online: <https://www.shvs.org/wp-content/uploads/2020/01/FINAL-State-Health-Insurer-Fee-Slide-Deck.pdf>

¹² Delaware's "The Delaware Health Insurance Individual Market Stabilization Reinsurance Program" (Delaware Code, Title 18, Chapter 87, § 8703) can be found here: <https://delcode.delaware.gov/title18/c087/index.shtml>. Maryland's (Insurance Article, §6-. 102.1 Annotated Code of Maryland) can be found here:

<http://mgaleg.maryland.gov/mgawebsite/laws/StatuteText?article=gin§ion=6-102.1&enactments=False&archived=False>

¹³ Colorado's SB20-215 can be found here: <https://leg.colorado.gov/bills/sb20-215>

¹⁴ New Mexico's House Bill 278 can be found here: <https://www.nmlegis.gov/Legislation/Legislation?Chamber=H&LegType=B&LegNo=278&year=20>