

Frequently Asked Questions

Michigan 1-percent claims tax



1. What did the Michigan Legislature pass?

The Michigan Legislature approved a new 1-percent tax to be applied to certain Michigan health insurance claims beginning January 1, 2012. Gov. Rick Snyder signed the legislation into law on Sept. 20, 2011.

2. What will the tax be used for?

The new 1-percent tax will replace the current 6-percent use tax applied to Medicaid managed care plan services and will be used to support Michigan's Medicaid program. The tax also ensures that Michigan continues to receive federal funds for its Medicaid program.

3. Will the tax be applied to all health care claims?

It applies to most health care claims, but not all. According to the statute, some of the exempt claims include:

- Services for Michigan residents received outside of the state
- Cost-sharing requirements (deductibles, copays and coinsurance)
- Reimbursements under a flexible spending arrangement, health savings account, Archer medical savings account, Medicare Advantage medical savings account or other health reimbursement arrangements authorized under federal law
- Claims paid under a federal employee health benefit program
- Medicare, Medicare Advantage, Medicare Part D claims
- TRICARE (military-CHAMPUS and the United States Veterans Administration claims)
- Workers' compensation and long-term care claims

4. Are there dollar limits to the tax?

Yes. The law limits the annual tax to \$10,000 per insured individual or covered life.

5. Does the tax apply to claims paid for ERISA groups?

Yes. The tax applies to claims paid for group customers regardless of whether they're an ERISA or non-ERISA group, but only applies to Michigan residents for services received in Michigan.

6. Does the tax apply to health care claims for individuals who are in non-group plans?

Yes. It applies to claims paid for individuals covered in individual (non-group) health plans, but only to Michigan residents who received services in Michigan.

7. Does the tax apply to prescription drug, vision and dental claims?

Yes. It applies to prescription drug, vision and dental claims, but only applies to Michigan residents for services received in Michigan.

8. Does the tax apply to services received outside of Michigan?

No.

9. Does the tax apply to services received in Michigan by non-residents?

No. The tax only applies to Michigan residents who receive services in Michigan.

10. Does the tax apply to companies headquartered outside of Michigan with a Michigan operation?

The tax applies to Michigan residents receiving services in Michigan. The location of the company headquarters or its operations is irrelevant.

11. How will BCBSM and BCN collect funds to pay the tax?

Fully insured (underwritten) group customers – BCBSM and BCN will develop a tax recoupment factor that will be multiplied by the group’s monthly premium and added to the monthly invoice as a separate line item. The recoupment factor is based on the estimated claims tax for the group’s risk pool and is determined by dividing the estimated tax amount by total risk pool premiums. This approach minimizes the impact of high-cost claims. The amount charged to the group will be adjusted annually to accurately match the amounts charged to the taxes paid.

Self-funded (ASC) customers – For self-funded (ASC) groups, BCBSM and BCN will collect the tax from the group and pay it to the state of Michigan. The tax will be separately identified and added to the group’s invoice.

Individual (non-group) customers – For individuals, BCBSM and BCN will calculate the tax based on the claims for the entire pool of individual members divided by total premiums. We’ll apply the resulting amount to their premium bill. This pooled approach is an equitable way to assess the claims tax and minimize the impact of high-cost claims. The amount charged will be adjusted annually to accurately match the amounts charged to the taxes paid.

12. When will the tax be added to the invoice or bill?

Fully insured (underwritten) groups will see the tax added to the January premium bill they receive in December.

Self-funded (ASC) group customers will begin to see the tax added as they begin to pay their January 2012 claims.

For individuals (nongroup), we’re still determining the process, but we’ll most likely add the tax to individual members’ bills that cover the month of January.

13. Can you provide the exact cost to me?

We're unable to determine the exact cost of the tax because it's based on the use of health care services.

The summary and FAQs are provided for information purposes only. They should not be considered legal advice or relied upon as such. You should consult your legal counsel and the underlying laws and regulations in order to gain a full understanding of the law.