



The Facts About... Taxes on New York's Privately Insured

New Yorkers who voluntarily purchase private health insurance coverage pay approximately \$4.8 billion in state health taxes. Currently, because employer-sponsored insurance remains the leading source of health insurance in America, covering about 149 million nonelderly people¹, the various private insurance surcharges are viewed as business taxes.

Compared to other state business levies, private health coverage taxes rank as the largest business tax.

Taxes on New Yorkers with Private Health Coverage Compared to New York State Business Taxes, 2012-2013

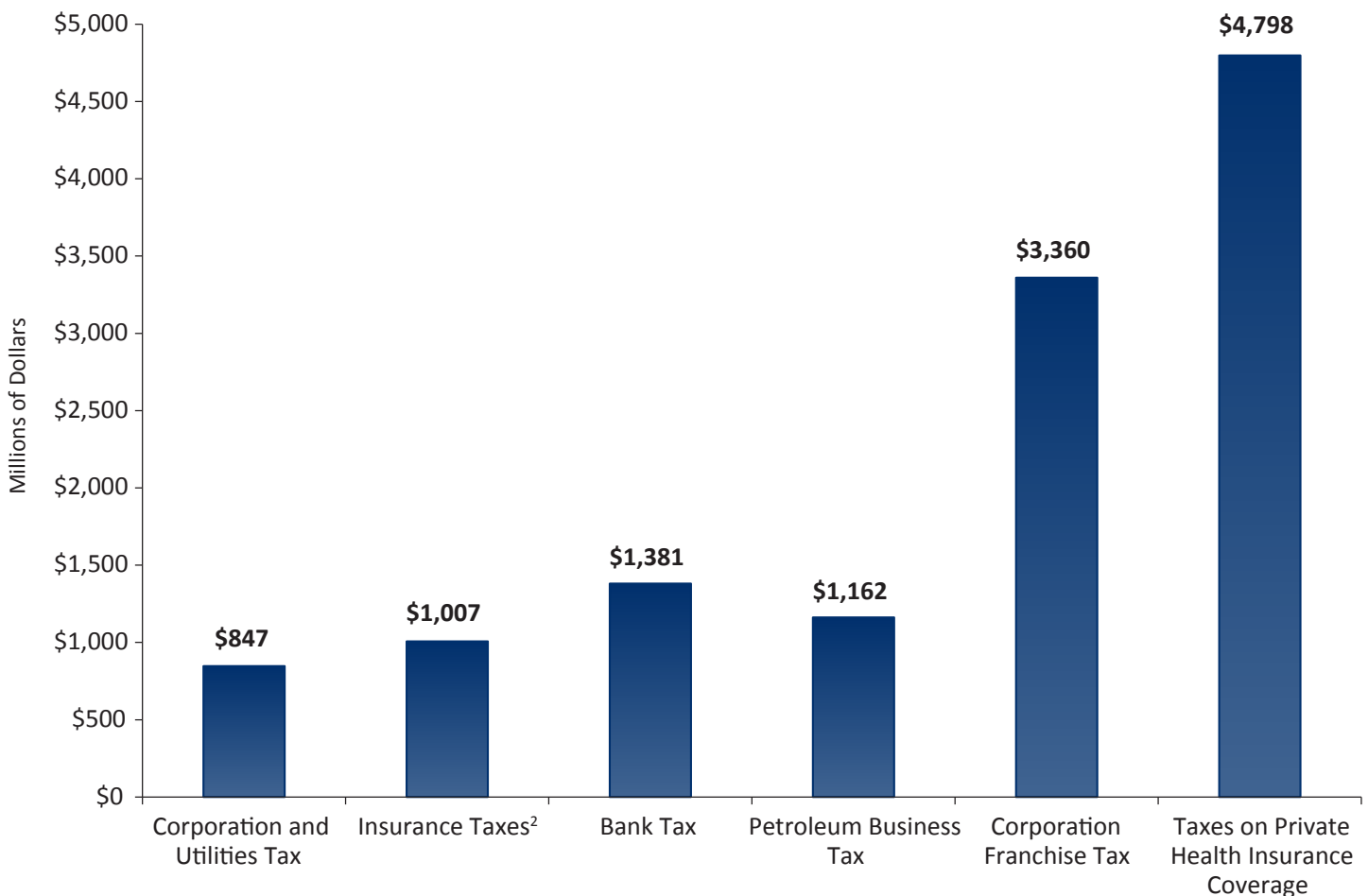


Chart Source: NYS Department of Financial Services, NYS Department of Health, NYS Division of the Budget and the 2012 Enacted Budget.

¹ Kaiser Commission on Medicaid and the Uninsured: Employer Health benefits 2012 Summary of Findings.

² Insurance Taxes figure does not include an estimated \$406 million collected through a 1.75% premium tax on commercial health insurers.



The Facts About... Taxes on New York's Privately Insured

Among all of the taxes collected by New York state, taxes on private health insurance (\$4.8 billion) rank third highest after personal income taxes (\$40.3 billion) and sales and use taxes (\$12.2 billion).

FY 2013	Total (in Millions)
Personal Income Tax	\$40,256
Sales and Use Tax	\$12,205
Taxes on Private Health Insurance Coverage	\$4,798
Corporation Franchise Tax	\$3,360
Cigarette and Tobacco Taxes	\$1,615
Motor Vehicle Fees	\$1,380
Bank Tax	\$1,381
Petroleum Business Tax	\$1,162
Insurance Taxes*	\$1,007
Estate Tax	\$1,127
Corporation and Utilities Tax	\$847
Real Estate Transfer Tax	\$660
Motor Fuel Tax	\$515
Alcoholic Beverage Taxes	\$241
Highway Use Tax	\$147
Auto Rental Tax	\$109
Alcoholic Beverage Control License Fees	\$51
Pari-mutuel Taxes	\$16
Other Taxes	\$1
Real Property Gains Tax	\$0

Source: NYS Department of Financial Services, NYS Department of Health, NYS Division of the Budget and the 2012 Enacted Budget.

*Insurance taxes do not include an estimated \$406 million collected through a 1.75 percent premium tax on commercial health insurers.



The Facts About...

Taxes on New York's Privately Insured

New York state imposes four different taxes on employers and individuals who purchase health insurance. The taxes include a covered lives assessment that varies by geographic region, a surcharge (sales tax) on health services, an assessment on insurers and a premium tax.

\$4.8 Billion in Taxes on New York's Privately Insured, 2012-2013	
Covered Lives Assessment	\$1.045 Billion (22%)
HCRA Surcharge	\$3.016 Billion (63%)
Section 332 Assessments	\$331 Million (7%)
1.75% Premium Tax	\$406 Million (8%)

COVERED LIVES ASSESSMENT

There is an annual flat surcharge (or tax) on all privately insured people in the state. Health plans are assessed according to the number of people they cover. The assessment is included in the individual and family premium and varies by the insured's residence. When it was initiated in 1996, the covered lives assessment was intended to pay for graduate medical school expenses. Increasing sums generated by the tax have been used for general fund obligations. **In the 2012-2013 budget, New Yorkers with private health insurance will pay \$1.05 billion to the state for the covered lives assessment.**

SURCHARGE ON HEALTH SERVICES

A surcharge created by the Health Care Reform Act (HCRA) of 1996 is collected from health plans in the form of a sales tax on certain hospital-based health services to help reimburse hospitals for losses incurred by bad debt and charity care. The surcharge applies to members of a self-insured or fully insured health plan. The initial rate of the surcharge was 8.18 percent in 1997 and yielded \$517 million. **In the 2012-2013 budget, the rate is 9.63 percent, and will yield approximately \$3.02 billion.**

ASSESSMENT ON INSURERS

The third levy, called a Section 332 assessment, was established to finance the then New York State Insurance Department operations. It applies to all licensed insurers in the state (e.g., life, property and casualty, and health) and is based on premiums paid in New York state. Section 332 assessments do not apply to third-party administrators, out-of-state insurers or self-funded health plans. **In the 2012-2013 budget, New Yorkers with private insurance will pay approximately \$331 million to finance the New York State Department of Financial Services.**

PREMIUM TAX

A 1.75 percent tax is applied to premiums paid by those with commercial health insurance policies. The revenue from these for-profit insurers goes to the state treasury's general fund. **In the 2012-2013 budget, the premium tax is estimated to raise \$406 million.**



The Facts About... Taxes on New York's Privately Insured

Taxes Associated with the Patient Protection and Affordable Care Act

The Patient Protection and Affordable Care Act passed in March 2010 includes new federal health taxes that will affect those purchasing private health insurance coverage. It is estimated that in 2014, these federal levies will increase health insurance taxes for New York's families by \$1.7 billion².

FEDERAL PREMIUM TAX

Beginning in 2014, the legislation will impose an annual fee based on each health insurance company's share of the total market, adjusted for size and corporate structure. The tax is projected to raise \$8 billion in 2014, \$11.3 billion in 2015 and 2016, \$13.9 billion in 2017, and \$14.3 billion in 2018. After 2018, it is expected to raise \$14.3 billion, indexed to medical cost growth.

The tax's total projected revenue through 2020 is approximately \$87.4 billion. The Joint Committee on Taxation estimates that this tax will add \$350 to \$400 annually to family premiums in 2016¹.

TRANSITIONAL REINSURANCE PROGRAM FEE

A temporary assessment to be levied for three years beginning in 2014, designed to raise \$25 billion. Most of the fee will go into a fund administered by the Health and Human Services Department. It will be used to cushion health insurers from the initial hard-to-predict costs of covering uninsured people with medical conditions. It was established to help stabilize the market and mitigate costs increases for consumers as the changes in the Health Reform law take effect.

The reinsurance assessment will total \$12 billion in 2014, \$8 billion in 2015 and \$5 billion in 2016.

EXCISE TAX

The federal health tax, an excise tax known as the Cadillac tax, is set to begin in 2018 imposes a new 40 percent tax on comprehensive health insurance plans. It is projected to increase federal revenues by \$32 billion over 10 years.

COMPARATIVE EFFECTIVENESS RESEARCH FEE

Established to explore the effectiveness, risks and benefits of medical treatments, the Comparative Effectiveness Research Fee will be assessed on insurers and self-insured business. The fees will be collected starting July 31, 2013 for the previous calendar year. The initial fee is \$1 per average number of covered lives under each policy. It will increase to \$2 per covered life for the plan/policy years ending on or after October 1, 2013, and before October 1, 2014.

The fee is expected to generate a total of \$2.6 billion through 2019, according to the Congressional Budget Office.

1 Joint Committee on Taxation Letter to Sen. Jon Kyl (R-AZ), May 16, 2011.

2 The additional \$1.7 billion in state health insurance taxes are the combined estimate of the Federal Premium Tax and the Transitional Reinsurance Program Fee. This figure does not include the \$2.6 billion to be generated through the Comparative Effectiveness Research Fee or the Excise Tax set to begin in 2018 and increase federal revenues by \$32 billion over 10 years.