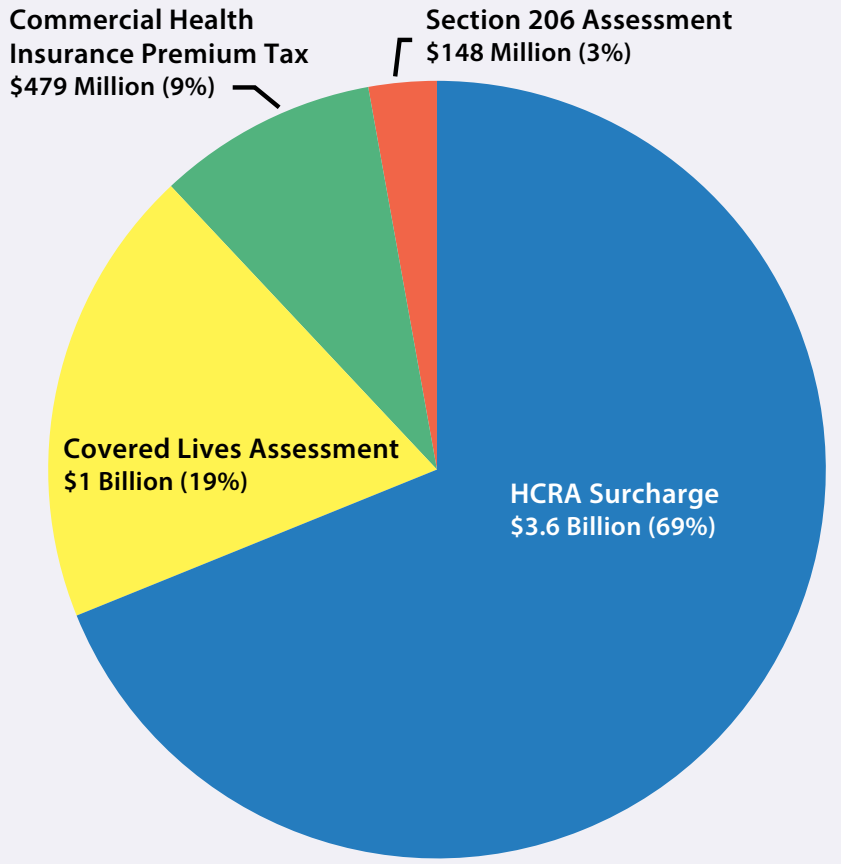
# New York's Hidden Taxes are Driving Up the Cost of Coverage

New York State imposes four taxes on employers and individuals who purchase health insurance. The taxes, which amounted to an estimated **$5.2 billion in 2019**, include a covered lives assessment that varies by region, a surcharge (sales tax) on health services, the Section 206 assessment on insurers and a premium tax.

## Covered Lives Assessment

The CLA 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 2019, New Yorkers with private health insurance **will pay approximately $1 billion** to the state for the covered lives assessment.

## State Taxes Cost Privately Insured New Yorkers $5.2 Billion in 2019




*Source: NYS Department of Financial Services, NYS Department of Health, FY 2020 Financial Plan Mid-Year Update.*

## HCRA Surcharge

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. The surcharge was originally designed to help reimburse hospitals for losses incurred by bad debt and charity care. Today, it is used for a variety of general fund purposes. 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

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$517 million. The current rate is 9.63 percent, and yielded $3.6 billion in 2019.

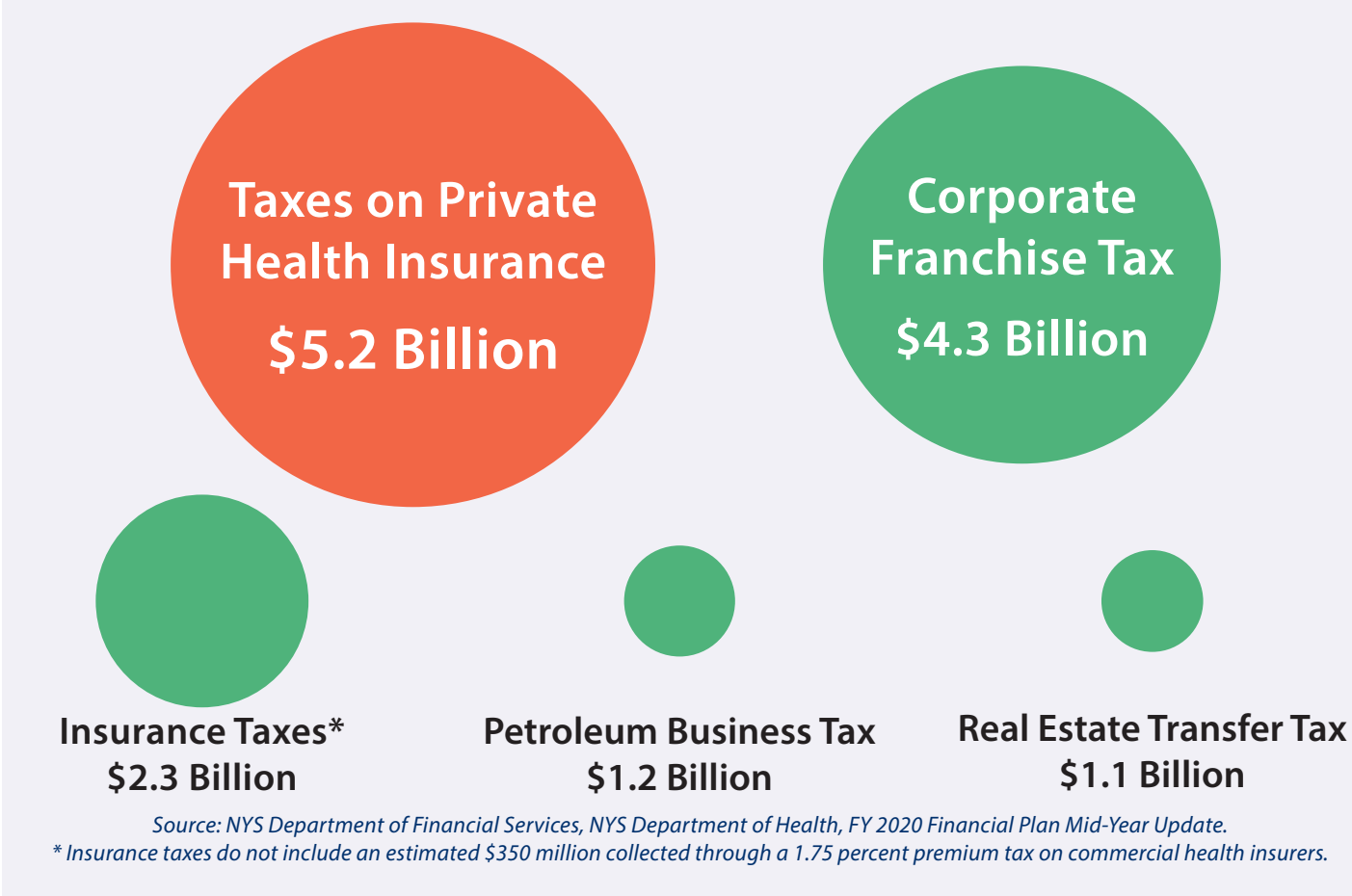
### Assessment On Insurers

The third levy, called a Section 206 assessment (formerly, 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 206 assessments do not apply to third-party administrators, out-of-state insurers or self-funded health plans. In 2019, New Yorkers with private health insurance paid **approximately $148 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 2018, the premium tax raised an estimated $479 million.

## How High are Taxes on Private Health Insurance Compared to Other State Business Taxes?




*Source: NYS Department of Financial Services, NYS Department of Health, FY 2020 Financial Plan Mid-Year Update.*
** Insurance taxes do not include an estimated $350 million collected through a 1.75 percent premium tax on commercial health insurers.*

Among all business taxes levied by the state, the taxes imposed on the privately insured rank as the single largest business tax in New York state ($5.2 billion).

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## Revenue by Type of Tax New York State Collects

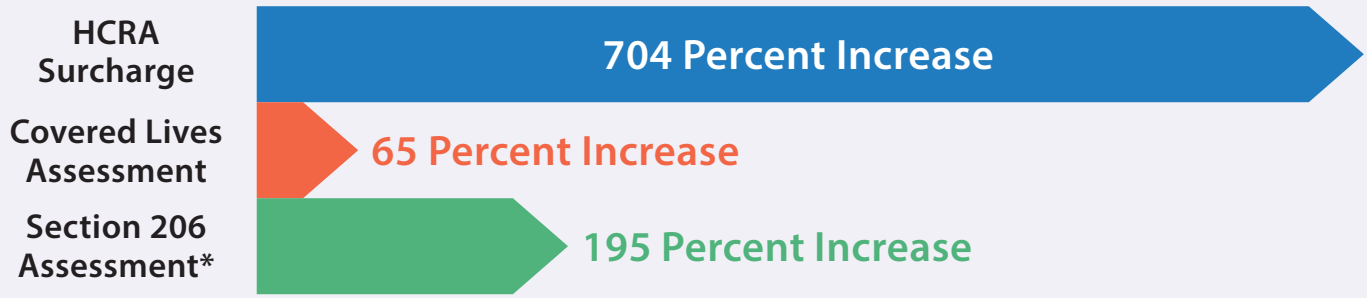
| FY 2019 | Total (in Millions) |
|---|---|
| Personal Income Tax | $52,150 |
| Sales and Use Tax | $15,128 |
| Taxes on Private Health Insurance Coverage | $5,225 |
| Corporation Franchise Tax | $4,297 |
| Insurance Taxes* | $1,837 |
| Motor Vehicle Fees | $1,379 |
| Petroleum Business Tax | $1,166 |
| Real Estate Transfer Tax | $1,135 |
| Cigarette and Tobacco Taxes | $1,108 |
| Estate Taxes | $1,068 |
| Corporation and Utilities Tax | $672 |
| Motor Fuel Tax | $528 |
| Alcoholic Beverage Taxes | $262 |
| Highway Use Tax | $145 |
| Auto Rental Tax | $130 |
| Alcoholic Beverage Control License Fees | $74 |
| Pari-mutuel Taxes | $15 |
| Other Taxes | $3 |

**Among all of the taxes collected by New York State, taxes on private health insurance ($5.2billion) rank third highest after personal income taxes ($52.1 billion) and sales and use taxes ($15.1 billion).**

**Taxes on private health insurance coverage represents 6% of New York State's tax revenues.**

*Source: NYS Department of Financial Services, NYS Department of Health, FY 2017 Financial Plan Mid-Year Update.*
** Insurance taxes do not include an estimated $350million collected through a 1.75 percent premium tax on commercial health insurers.*

## How High Have Taxes on Private Insurance Risen Over the Last 20 Years?




** Increase includes projected tax collections for 2019*
*Source: Data supplied by the New York State Enacted Budget Financial Plans and New York State Department of Financial Services.*

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