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RWH/CL

P.L. 2020, CHAPTER 96, *approved September 29, 2020*  
Assembly, No. 4722

1 AN ACT concerning the annual assessment on health maintenance  
2 organizations and amending P.L.2004, c.49.

3  
4 **BE IT ENACTED** by the Senate and General Assembly of the State  
5 of New Jersey:

6  
7 1. Section 3 of P.L.2004, c.49 (C.26:2J-47) is amended to read  
8 as follows:

9 3. a. (1) For the fiscal years 2005 and 2006, the Commissioner  
10 of Banking and Insurance shall issue, in accordance with the  
11 provisions of this section, a special interim assessment of one  
12 percent, and in fiscal year 2007 and each fiscal year thereafter  
13 through fiscal year 2019, an annual assessment in the amount of two  
14 percent, **[and]** in fiscal year 2020 **[and each fiscal year thereafter]**,  
15 an annual assessment in the amount of three percent, and in fiscal  
16 year 2021 and each fiscal year thereafter, an annual assessment in  
17 the amount of five percent on the net written premiums received by  
18 each health maintenance organization granted a certificate of  
19 authority to operate in this State pursuant to P.L.1973, c.337  
20 (C.26:2J-1 et seq.), to be allocated to the Health Care Subsidy Fund  
21 established pursuant to section 8 of P.L.1992, c.160 (C.26:2H-  
22 18.58) for the purpose of providing charity care payments to  
23 hospitals in accordance with the formula used for the distribution of  
24 charity care subsidies that are provided pursuant to P.L.1992, c.160  
25 (C.26:2H-18.51 et al.).

26 (2) "Net written premiums received" means direct premiums as  
27 reported on the annual financial statement submitted pursuant to  
28 section 9 of P.L.1973, c.337 (C.26:2J-9), and to the commissioner  
29 on a quarterly basis.

30 b. The commissioner shall certify the amount of the annual  
31 assessment issued to each health maintenance organization as  
32 calculated pursuant to subsection a. of this section. Each health  
33 maintenance organization shall remit the amount so certified on a  
34 quarterly basis in each fiscal year to the Department of Banking and  
35 Insurance in accordance with the procedures established in  
36 P.L.1995, c.156 (C.17:1C-19 et seq.), and as prescribed by the  
37 commissioner, who may adjust the quarterly payments from time to  
38 time as necessary to meet the current and estimated assessment  
39 obligation of each health maintenance organization in each fiscal  
40 year.

41 c. Amounts collected by the commissioner shall be allocated to  
42 the Health Care Subsidy Fund established pursuant to section 8 of

**EXPLANATION** – Matter enclosed in bold-faced brackets **[thus]** in the above bill is  
not enacted and is intended to be omitted in the law.

Matter underlined thus is new matter.

1 P.L.1992, c.160 (C.26:2H-18.58) and used solely for the purpose of  
2 providing charity care payments to hospitals in accordance with the  
3 formula used for the distribution of charity care subsidies that are  
4 provided pursuant to P.L.1992, c.160 (C.26:2H-18.51 et al.).

5 d. (1) A health maintenance organization shall not impose any  
6 additional premium, fee or surcharge on its premium or enrollee  
7 charge to recoup any assessment paid pursuant to this section.

8 (2) The provisions of paragraph (1) of this subsection shall not  
9 apply to a health maintenance organization with respect to any  
10 federally funded program underwritten by that health maintenance  
11 organization.

12 (cf: P.L.2019, c.148, s.1)

13

14 2. This act shall take effect immediately and shall apply to  
15 assessments made for Fiscal Year 2021, which begins on October 1,  
16 2020, and thereafter.

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19

#### STATEMENT

20

21 The Governor's Fiscal Year 2021 Revised Budget Proposal  
22 includes a recommendation for legislation to increase the HMO  
23 assessment from three to five percent on net written premiums of  
24 health maintenance organizations, beginning in Fiscal Year 2021,  
25 which begins on October 1, 2020. This assessment is statutorily  
26 allocated to the Health Care Subsidy Fund for the purpose of  
27 providing charity care payments to hospitals in accordance with the  
28 formula used for the distribution of charity care subsidies. The  
29 Department of the Treasury estimates that this bill would increase  
30 revenue by \$102.7 million.

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35 \_\_\_\_\_  
36 Increases annual assessment on net written premiums of HMOs  
37 to support charity care from three percent to five percent in FY  
2021.

# ASSEMBLY, No. 4722

## STATE OF NEW JERSEY 219th LEGISLATURE

INTRODUCED SEPTEMBER 21, 2020

**Sponsored by:**

**Assemblyman JOHN F. MCKEON**

**District 27 (Essex and Morris)**

**Senator NELLIE POU**

**District 35 (Bergen and Passaic)**

**SYNOPSIS**

Increases annual assessment on net written premiums of HMOs to support charity care from three percent to five percent in FY 2021.

**CURRENT VERSION OF TEXT**

As introduced.



(Sponsorship Updated As Of: 9/24/2020)

1 AN ACT concerning the annual assessment on health maintenance  
2 organizations and amending P.L.2004, c.49.

3

4 **BE IT ENACTED** by the Senate and General Assembly of the State  
5 of New Jersey:

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7 1. Section 3 of P.L.2004, c.49 (C.26:2J-47) is amended to read  
8 as follows:

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11 provisions of this section, a special interim assessment of one  
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14 percent, **[and]** in fiscal year 2020 **[and each fiscal year thereafter]**,  
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18 each health maintenance organization granted a certificate of  
19 authority to operate in this State pursuant to P.L.1973, c.337  
20 (C.26:2J-1 et seq.), to be allocated to the Health Care Subsidy Fund  
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23 hospitals in accordance with the formula used for the distribution of  
24 charity care subsidies that are provided pursuant to P.L.1992, c.160  
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26 (2) "Net written premiums received" means direct premiums as  
27 reported on the annual financial statement submitted pursuant to  
28 section 9 of P.L.1973, c.337 (C.26:2J-9), and to the commissioner  
29 on a quarterly basis.

30 b. The commissioner shall certify the amount of the annual  
31 assessment issued to each health maintenance organization as  
32 calculated pursuant to subsection a. of this section. Each health  
33 maintenance organization shall remit the amount so certified on a  
34 quarterly basis in each fiscal year to the Department of Banking and  
35 Insurance in accordance with the procedures established in  
36 P.L.1995, c.156 (C.17:1C-19 et seq.), and as prescribed by the  
37 commissioner, who may adjust the quarterly payments from time to  
38 time as necessary to meet the current and estimated assessment  
39 obligation of each health maintenance organization in each fiscal  
40 year.

41 c. Amounts collected by the commissioner shall be allocated to  
42 the Health Care Subsidy Fund established pursuant to section 8 of  
43 P.L.1992, c.160 (C.26:2H-18.58) and used solely for the purpose of  
44 providing charity care payments to hospitals in accordance with the  
45 formula used for the distribution of charity care subsidies that are

**EXPLANATION** – Matter enclosed in bold-faced brackets **[thus]** in the above bill is  
not enacted and is intended to be omitted in the law.

Matter underlined thus is new matter.

1 provided pursuant to P.L.1992, c.160 (C.26:2H-18.51 et al.).

2 d. (1) A health maintenance organization shall not impose any  
3 additional premium, fee or surcharge on its premium or enrollee  
4 charge to recoup any assessment paid pursuant to this section.

5 (2) The provisions of paragraph (1) of this subsection shall not  
6 apply to a health maintenance organization with respect to any  
7 federally funded program underwritten by that health maintenance  
8 organization.

9 (cf: P.L.2019, c.148, s.1)

10

11 2. This act shall take effect immediately and shall apply to  
12 assessments made for Fiscal Year 2021, which begins on October 1,  
13 2020, and thereafter.

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#### STATEMENT

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18 The Governor's Fiscal Year 2021 Revised Budget Proposal  
19 includes a recommendation for legislation to increase the HMO  
20 assessment from three to five percent on net written premiums of  
21 health maintenance organizations, beginning in Fiscal Year 2021,  
22 which begins on October 1, 2020. This assessment is statutorily  
23 allocated to the Health Care Subsidy Fund for the purpose of  
24 providing charity care payments to hospitals in accordance with the  
25 formula used for the distribution of charity care subsidies. The  
26 Department of the Treasury estimates that this bill would increase  
27 revenue by \$102.7 million.

ASSEMBLY BUDGET COMMITTEE

STATEMENT TO

**ASSEMBLY, No. 4722**

**STATE OF NEW JERSEY**

DATED: SEPTEMBER 22, 2020

The Assembly Budget Committee reports favorably Assembly Bill No. 4722.

This bill increases the HMO assessment from three to five percent on net written premiums of health maintenance organizations, beginning in Fiscal Year 2021, which begins on October 1, 2020. This assessment is statutorily allocated to the Health Care Subsidy Fund for the purpose of providing charity care payments to hospitals in accordance with the formula used for the distribution of charity care subsidies.

FISCAL IMPACT:

The Office of Legislative Services (OLS) projects that raising the health maintenance organization (HMO) premiums assessment from three percent to five percent will increase State revenue collections by \$263 million and State expenditures by \$160 million in the nine-month FY 2021 that begins on October 1, 2020 and ends on June 30, 2021. Annualized, the State revenue gain would total \$350 million and State expenditure growth \$213 million. These estimates include all the budgetary impacts of the federal revenue enhancement initiative, not just the additional HMO premiums assessment revenue. The OLS based its projections on, and deemed reasonable, an informal Executive estimate that the bill will grow annual HMO premiums assessment revenue by \$162 million in the nine-month FY 2021. If the higher assessment rate were in effect for a 12-month period, the additional revenue would total \$216 million.



**LEGISLATIVE FISCAL ESTIMATE**  
**ASSEMBLY, No. 4722**  
**STATE OF NEW JERSEY**  
**219th LEGISLATURE**

DATED: SEPTEMBER 25, 2020

**SUMMARY**

- Synopsis:** Increases annual assessment on net written premiums of HMOs to support charity care from three percent to five percent in FY 2021.
- Type of Impact:** Annual State revenue and expenditure increases.
- Agencies Affected:** Department of Banking and Insurance, Department of Human Services, Department of Health.

**Office of Legislative Services Estimate**

<b>Fiscal Impact</b>	<b>Nine-Month FY 2021</b>	<b>Annualized Impact</b>
<b>Annual State Revenue Increase</b>	\$263,000,000	\$350,000,000
<b>Annual State Expenditure Increase</b>	\$160,000,000	\$213,000,000

- The Office of Legislative Services (OLS) projects that raising the health maintenance organization (HMO) premiums assessment from three percent to five percent will increase State revenue collections by \$263 million and State expenditures by \$160 million in the nine-month FY 2021 that begins on October 1, 2020 and ends on June 30, 2021. Annualized, State revenue would grow by \$350 million and State expenditures by \$213 million. These estimates consider all the budgetary impacts of the federal revenue enhancement initiative, not just the additional HMO premiums assessment revenue.
- The OLS bases its projections on, and deems reasonable, an informal Executive estimate that the bill will yield \$162 million in additional HMO premiums assessment revenue in the nine-month FY 2021 (or \$216 million annualized).

**BILL DESCRIPTION**

This bill raises, beginning on October 1, 2020, the assessment on net written premiums received by each HMO from three percent to five percent. Assessment collections are deposited into the dedicated, off-budget Health Care Subsidy Fund, which receives its revenues from several State taxes with the State General Fund frequently providing additional support. Fund

expenditures support several Statewide health care initiatives with the NJ FamilyCare/Medicaid program currently receiving the largest allocation of fund resources.

## **FISCAL ANALYSIS**

### ***EXECUTIVE BRANCH***

The Executive has not submitted a formal, written fiscal note on this bill. But the Executive has indicated that the bill will increase HMO premiums assessment collections by \$162 million in the fiscal period beginning on October 1, 2020 and ending on June 30, 2021.

The mechanics of the federal revenue enhancement initiative will play out so that the net effect of the initiative on the nine-month FY 2021 State budget will not be a revenue gain of \$162 million. Instead, the Executive anticipates a net increase in State resources of \$101 million attributable to federal Medicaid matching funds and another \$2 million attributable to HMO premiums assessment collections from non-Medicaid HMO plans.

### ***OFFICE OF LEGISLATIVE SERVICES***

The OLS projects that raising the HMO premiums assessment from three percent to five percent will increase State revenue by \$263 million and State expenditures by \$160 million in the nine-month FY 2021 that begins on October 1, 2020 and ends on June 30, 2021. Annualized, State revenue would grow by \$350 million and State expenditures by \$213 million.

The OLS bases its projections on, and deems reasonable, the informal Executive estimate that the bill will generate additional HMO premiums assessment collections of \$162 million in the nine-month FY 2021 (or \$216 million annualized). However, as a federal revenue enhancement initiative, the bill will produce an annual budgetary impact that extends beyond higher annual HMO premiums assessment collections.

Specifically, the State's Medicaid managed care organizations pay almost the entirety of the HMO premiums assessment (about 98 percent in the 12-month FY 2020). When the rate of the assessment goes up, so do the reimbursements the State pays to the Medicaid managed care organizations, resulting in the State ultimately paying the higher assessment to itself with the Medicaid managed care organizations serving as conduits. Accordingly, once the additional assessment revenue collections will have reverberated through the Medicaid finance system, the estimated State expenditure increase of \$160 million in the nine-month FY 2021 (or \$213 million annualized) will have turned into an offsetting \$160 million State revenue increase.

But the higher State Medicaid expenditures will qualify for federal Medicaid matching funds at an Executive-estimated rate of 63 percent. For that reason, the net impact of the federal revenue enhancement initiative for the nine-month FY 2021 will be a State revenue increase of \$103 million (or \$137 million annualized) composed of \$101 million (or \$134 million annualized) in federal Medicaid matching fund revenue and \$2 million (or \$3 million annualized) in HMO premiums assessment revenue from private HMO plans.

At a rate of two percent, HMO premiums assessment collections totaled \$196.0 million in FY 2018 and \$207.3 million in FY 2019. The Executive anticipates the assessment to yield \$312.9 million in the 12-month FY 2020 at a rate of three percent and \$485.8 million in the 12-month FY 2021 with the five percent rate under the bill in effect as of October 1, 2020.

*Section: Legislative Budget and Finance Office*  
*Analyst: Thomas Koenig*  
*Assistant Legislative Budget and Finance Officer*  
*Approved: Frank W. Haines III*  
*Legislative Budget and Finance Officer*

This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).

**SENATE, No. 2935**

**STATE OF NEW JERSEY**  
**219th LEGISLATURE**

INTRODUCED SEPTEMBER 21, 2020

**Sponsored by:**  
**Senator NELLIE POU**  
**District 35 (Bergen and Passaic)**

**SYNOPSIS**

Increases annual assessment on net written premiums of HMOs to support charity care from three percent to five percent in FY 2021.

**CURRENT VERSION OF TEXT**

As introduced.



S2935 POU

2

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31 assessment issued to each health maintenance organization as  
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34 quarterly basis in each fiscal year to the Department of Banking and  
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37 commissioner, who may adjust the quarterly payments from time to  
38 time as necessary to meet the current and estimated assessment  
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41 c. Amounts collected by the commissioner shall be allocated to  
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**S2935 POU**

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2 d. (1) A health maintenance organization shall not impose any  
3 additional premium, fee or surcharge on its premium or enrollee  
4 charge to recoup any assessment paid pursuant to this section.

5 (2) The provisions of paragraph (1) of this subsection shall not  
6 apply to a health maintenance organization with respect to any  
7 federally funded program underwritten by that health maintenance  
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**STATEMENT**

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19 includes a recommendation for legislation to increase the HMO  
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23 allocated to the Health Care Subsidy Fund for the purpose of  
24 providing charity care payments to hospitals in accordance with the  
25 formula used for the distribution of charity care subsidies. The  
26 Department of the Treasury estimates that this bill would increase  
27 revenue by \$102.7 million.

# SENATE BUDGET AND APPROPRIATIONS COMMITTEE

## STATEMENT TO

### SENATE, No. 2935

# STATE OF NEW JERSEY

DATED: SEPTEMBER 22, 2020

The Senate Budget and Appropriations Committee reports favorably Senate Bill No. 2935.

This bill increases the HMO assessment from three to five percent on net written premiums of health maintenance organizations, beginning in Fiscal Year 2021, which begins on October 1, 2020. This assessment is statutorily allocated to the Health Care Subsidy Fund for the purpose of providing charity care payments to hospitals in accordance with the formula used for the distribution of charity care subsidies.

#### FISCAL IMPACT:

The Office of Legislative Services (OLS) projects that raising the health maintenance organization (HMO) premiums assessment from three percent to five percent will increase State revenue collections by \$263 million and State expenditures by \$160 million in the nine-month FY 2021 that begins on October 1, 2020 and ends on June 30, 2021. Annualized, the State revenue gain would total \$350 million and State expenditure growth \$213 million. These estimates include all the budgetary impacts of the federal revenue enhancement initiative, not just the additional HMO premiums assessment revenue. The OLS based its projections on, and deemed reasonable, an informal Executive estimate that the bill will grow annual HMO premiums assessment revenue by \$162 million in the nine-month FY 2021. If the higher assessment rate were in effect for a 12-month period, the additional revenue would total \$216 million.

**LEGISLATIVE FISCAL ESTIMATE**  
**SENATE, No. 2935**  
**STATE OF NEW JERSEY**  
**219th LEGISLATURE**

DATED: SEPTEMBER 25, 2020

**SUMMARY**

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- Agencies Affected:** Department of Banking and Insurance, Department of Human Services, Department of Health.

**Office of Legislative Services Estimate**

<b>Fiscal Impact</b>	<b>Nine-Month FY 2021</b>	<b>Annualized Impact</b>
<b>Annual State Revenue Increase</b>	\$263,000,000	\$350,000,000
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## FISCAL ANALYSIS

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### *OFFICE OF LEGISLATIVE SERVICES*

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*Section:* Legislative Budget and Finance Office  
*Analyst:* Thomas Koenig  
Assistant Legislative Budget and Finance Officer  
*Approved:* Frank W. Haines III  
Legislative Budget and Finance Officer

This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).

# Governor Murphy Takes Action on Legislation

09/29/2020

**TRENTON** – Today, Governor Murphy signed the following bills into law:

**A-10/S-2949 (Coughlin, Giblin/Addiego, Greenstein)** – Increases gross income tax rate from 8.97 percent to 10.75 percent on income between \$1,000,000 and \$5,000,000, and provides up to \$500 tax rebate to eligible taxpayers

**A-4721/S-2934 (Sumter/Sweeney)** – Imposes CBT surtax at rate of 2.5 percent until December 31, 2023

**A-4722/S-2935 (McKeon/Pou)** – Increases annual assessment on net written premiums of HMOs to support charity care from three percent to five percent in FY 2021

**S-2178/A-3292 (Vitale, Rice/Vainieri Huttie, Reynolds-Jackson, Jasey)** – Repeals family cap in Work First New Jersey program