

LEGISLATIVE FISCAL ESTIMATE
ASSEMBLY, No. 5603
STATE OF NEW JERSEY
218th LEGISLATURE

DATED: JUNE 21, 2019

SUMMARY

Synopsis: Increases annual assessment on net written premiums of HMOs to support charity care from two percent to three percent in FY 2020.

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

Fiscal Impact	
Annual State Revenue Increase	\$166,000,000
Annual State Expenditure Increase	\$100,000,000

- The Office of Legislative Services (OLS) estimates that the bill will grow annual health maintenance organization (HMO) premiums assessment revenue by about \$100 million starting in FY 2020. However, because of the mechanics of the Executive’s federal revenue maximization initiative, the estimated net effect of the bill on the State budget will be an annual increase of approximately \$66 million in federal Medicaid matching fund revenue. This is so because the State’s Medicaid managed care organizations are the primary payers of the HMO assessment. After the assessment increases, the reimbursement rates the State pays the Medicaid managed care organizations will increase accordingly, resulting in the State ultimately paying the higher assessment to itself with the Medicaid managed care organizations serving as conduits. The higher State Medicaid expenditures, in turn, will qualify for federal Medicaid matching funds at a rate of 66 percent. The additional \$66 million in federal funds reflects the anticipated net impact of the bill on State finances.

BILL DESCRIPTION

This bill raises, beginning in FY 2020, the HMO premiums assessment from two percent to three percent of net written premiums received by each HMO. 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 Governor's FY 2020 Budget projects that HMO premiums assessment collections will increase from \$200 million in FY 2019 to \$300 million in FY 2020. The Executive has indicated to the OLS that the mechanics of its federal revenue maximization initiative will play out so that the net effect of the initiative on the FY 2020 State budget will not be a revenue gain of \$100 million. Instead, the Executive anticipates a net increase of \$66 million in federal Medicaid matching funds that is intended to be used to reduce FY 2020 State General Fund appropriation to the NJ FamilyCare/Medicaid program.

OFFICE OF LEGISLATIVE SERVICES

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Disaggregating the components of the projected \$66 million annual net State revenue increase thus yields an annual State expenditure increase of \$100 million and an annual State revenue gain of \$166 million, of which \$100 million reflects the amount the State pays to itself with the Medicaid managed care organizations serving as conduits and federal matching fund revenue accounting for the remaining \$66 million.

HMO premiums assessment collections totaled \$196.1 million in FY 2017 and \$196.0 million in FY 2018. The Executive anticipates the assessment to yield \$200.0 million in FY 2019 and \$300.0 million in FY 2020.

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 Legislative Budget and Finance Officer

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