OFA Bill Analysis

SB 372

AN ACT CONCERNING PAYMENTS BY INSURANCE COMPANIES FOR DEPOSIT INTO THE INSURANCE FUND.

SUMMARY:

This bill limits the type of domestic insurance entities required to pay the portion of the Insurance Fund general assessment that supports the budgets of the Office of the Healthcare Advocate (OHA) and the Office of Health Strategy (OHS). Under the bill, this portion of the general assessment applies only to domestic insurance companies and entities that have written policies of health insurance in the state in the preceding calendar year, except in one circumstance.

The bill also makes related technical and conforming changes to the statutory requirements for determining and notifying insurers of their annual assessment amounts.

EFFECTIVE DATE: July 1, 2024

New Assessment Methodology

Assessment to Fund OHA and OHS

Existing law requires domestic insurance companies as well as hospital and medical service corporations (i.e., HMOs) to annually pay the Insurance Commissioner an assessed amount equal to:

(1) the actual expenditures, including fringe benefits, of the Insurance Department,

(2) the actual expenditures, including fringe benefits, of OHA,

(3) OHS Insurance Fund appropriations, as reduced by the amount of federal reimbursement received for allowable Medicaid

administrative expenses,

(4) the expenditures made on behalf of the Insurance Department, OHA, and OHS from the Capital Equipment Purchase Fund, excluding expenditures made on behalf of the Health Systems Planning Unit of OHS, and

(5) an amount that covers the Department of Aging and Disability Services' fall prevention Insurance Fund program appropriation.

Under the bill, items (2) and (3) above will only be assessed on insurance companies and HMOs that wrote health insurance policies in the state in the preceding calendar year (see *Background*). Other types of domestic insurers will not be responsible for paying a share of the OHA expenditures and OHS budget in the Insurance Fund.

As under existing law, the bill requires the Insurance Commissioner to deposit these payments in the Insurance Fund.

Calculating Insurer Liability

Existing law and the bill require the Commissioner of Revenue Services, on or before June 30th annually, to provide the Insurance Commissioner with a statement of the Connecticut insurance premium taxes imposed on domestic insurance companies and entities during the preceding calendar year.

The bill requires the Insurance Commissioner to use that statement to prepare an additional statement of the amount of insurance premium taxes imposed on those domestic companies and entities that specifically wrote policies of health insurance in the state in the preceding year.

Currently, the Insurance Commissioner then provides a statement to each domestic entity liable under the general assessment that lists: (1) the amounts being funded through the assessment, (2) a statement of the total insurance premium taxes imposed on domestic insurance companies and entities on Connecticut business in the preceding calendar year, and (3) the proposed assessment against that company or

entity.

Under the bill, the Insurance Commissioner's statement to each liable domestic entity must include:

(1) the accounts supported by the Insurance Fund to be funded as separate line items and for the fiscal year beginning July 1 of the year the statement is sent and the corresponding appropriations,

(2) the total insurance premium taxes and subscriber charges imposed on all domestic companies and entities, and each company's or entity's share of that total amount,

(3) the total insurance premium taxes and subscriber charges imposed on companies and entities providing health insurance, and each company's or entity's share of that total amount, and

(4) the proposed assessment against each company or entity.

Under the bill, the portion of the assessment related to the budgets of OHA and OHS is divided only among those domestic companies or entities that provided health insurance in the state, in accordance with their share of the insurance premium taxes imposed on that group. The remaining portion of the assessment that funds the Insurance Department and other accounts is divided among all domestic insurers and entities in proportion to the entity's share of the total insurance premium taxes, as the whole assessment is calculated under current law.

Unchanged by the bill, when the amount any such company or entity would be assessed exceeds 25 percent of the actual expenditures of the Insurance Department, OHA, and OHS (from the Insurance Fund), the excess amount is assessed against and paid by all other domestic companies and entities in proportion to their respective shares of the total insurance premium taxes imposed. The bill appears to require entities that did not write health insurance in the preceding year to partially support the budgets of OHA and OHS under this scenario.

BACKGROUND

Health Insurance Definition

Existing law (§§ 38a-469) defines "health insurance" as insurance providing benefits due to illness or injury, resulting in loss of life, loss of earnings, or expenses incurred. It includes long-term care insurance, coverages of several types (e.g., disability income protection, travel health and accident-only, stand-alone dental and vision, and Medicare and TriCare supplemental), as well as the hospital and medical expense or services coverages most commonly associated with the term.

COMMITTEE ACTION

Appropriations Committee

Joint Favorable
Yea 50 Nay 2 (04/04/2024)