Senate Passes Legislation To Protect Health Insurance Consumers From New York State Tax

JOHN J. FLANAGAN   February 6, 2018

| ISSUE: **HEALTH INSURANCE**, **TAXPAYERS**

The New York State Senate has passed legislation designed to protect health insurance consumers from a new state tax that prevents anticipated savings from the federal tax reforms from going back to customers. The bill (**S7587A**), sponsored by Senators Kemp Hannon (6th Senate District) and James L. Seward (51st Senate District), would ensure that the $140 million estimated windfall to health insurers from federal corporate tax rate reductions could still result in lower health care costs for taxpayers, instead of an Executive Budget proposal that diverts the savings back to the state.

Senate Majority Leader John J. Flanagan said, "Helping to secure potential healthcare savings and protecting hardworking New Yorkers from another tax increase is a critical step in making New York more affordable. I applaud Senators Hannon and Seward for their work on this important bill, and pledge that affordability will continue to be a focus of our Senate Majority's 2018 agenda."

Senator Kemp Hannon, Chairman of the Senate Health Committee, said, "My bill will ensure revenue gained by for-profit health insurance companies resulting from the federal Tax Cuts and Jobs Act of 2017 is returned to consumers and taxpayers. Given recent health insurance rate increases, we must make sure rebates to consumers intended by the law will not be used to balance the state budget. Any windfall from the federal tax cuts felt by for-profit commercial and managed care health plans must go directly to lowering health care costs for consumers and taxpayers."

Senator James L. Seward, Chairman of the Senate Insurance Committee, said, "When New Yorkers sit down at the kitchen table to pay their monthly bills, the health care budget is always a top concern. We need to take steps to ease that burden, not create a new hidden tax. This legislation I am sponsoring with Senator Hannon will help lower health insurance costs and lead to a healthier bottom line for families and individuals."

This year, for-profit health insurance companies' earnings will increase approximately 14 percent due to the federal government's recent corporate tax rate reductions. The new tax savings would offset the increase in 2018 insurance premiums that were approved by regulators in 2017, in anticipation of federal cuts to cost-sharing reduction payments.

With insurance companies paying millions less in federal taxes, under current law, the spending ratio used by state regulators to determine premiums potentially change. The reduction in insurers' costs would likely trigger an opportunity for consumers' premiums to

be reduced in the form of rate reductions, refunds, or credits on a pro-rated basis.

The SFY 2019 Executive Budget Proposal significantly changes existing processes and effectively creates a new tax on health insurance companies that prevents the anticipated healthcare savings from being returned to consumers. The state would instead use the new revenue to fill the state's general fund. This bill is necessary to make sure the health companies' windfall goes back to consumers instead of the state's coffers.

This bill will build on the Senate Majority's ongoing commitment to making New York a more affordable place to live and work. Earlier this year, lawmakers called for lower income taxes, lower property taxes, lower energy taxes, and more as part of the "**Blueprint for a Stronger New York**."

The bill has been sent to the Assembly.

RELATED LEGISLATION

2017-S7587A

- Introduced

- ○ In Committee Assembly

  ○ In Committee Senate

- ○ On Floor Calendar Assembly

- On Floor Calendar Senate

- - Passed Assembly

  - Passed Senate

- Delivered to Governor

- Signed By Governor

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Relates to returning to policy holders any money an insurer realizes due to the tax cuts and jobs act of 2017

January 26, 2018

In Assembly Committee

Sponsored by Kemp Hannon

Do you support this bill?