

# 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:

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  
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)

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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.