

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.