

ASSEMBLY, No. 5227

STATE OF NEW JERSEY 219th LEGISLATURE

INTRODUCED JANUARY 11, 2021

Sponsored by:

Assemblywoman NANCY F. MUNOZ

District 21 (Morris, Somerset and Union)

SYNOPSIS

Requires annual assessment paid by mutual holding company to solely fund health care initiatives; establishes Healthcare Rate Stabilization and Improvements Organization.

CURRENT VERSION OF TEXT

As introduced.



1 **AN ACT** concerning annual assessments paid by a reorganized
2 mutual holding company and certain affiliates of the mutual
3 holding company and amending and supplementing P.L.2020,
4 c.145.

5
6 **BE IT ENACTED** *by the Senate and General Assembly of the State*
7 *of New Jersey:*

8
9 1. Section 13 of P.L.2020, c.145 (C.) is amended to read
10 as follows:

11 13. a. Following regulatory approval pursuant to section 5 of
12 P.L.2020, c.145 (C.) and the establishment of a mutual holding
13 company, the mutual holding company, or any affiliates benefiting
14 from the establishment of a mutual holding company, shall pay an
15 initial assessment to the State Treasury in the amount of
16 \$600,000,000 by June 1, 2022 if the effective time precedes June 1,
17 2022. If the effective time is later than June 1, 2022, the initial
18 assessment shall be due by June 1 of the calendar year following the
19 effective time. The initial assessment shall be a one-time,
20 nonrecurring State business tax on the mutual holding company and
21 its affiliates.

22 b. Following the initial assessment, and subject to subsections
23 c. and d. of this section, the mutual holding company, or any
24 affiliates benefiting from the establishment of a mutual holding
25 company, shall pay a limited duration business tax by June 1 of
26 each calendar year beginning with the calendar year following the
27 initial assessment, and for a period of seventeen years. The total
28 assessment, including both the initial and annual assessments, shall
29 not exceed \$1,250,000,000. The annual assessments represent a
30 limited duration state business tax on the mutual holding company
31 and its affiliates' business payable by the mutual holding company
32 or any affiliates benefiting from the establishment of a mutual
33 holding company, and shall be based on the following schedule with
34 earned premiums defined consistent with 45 C.F.R, 158.130:

35 (1) For annual assessment 1, 20 percent of the reorganized
36 insurer's earned premiums for the calendar year preceding that
37 assessment, with the assessment not to exceed \$100,000,000.

38 (2) For annual assessments 2 through 11, 5 percent of the
39 reorganized insurer's earned premiums for the calendar year
40 preceding a given year's assessment, with each year's assessment
41 not to exceed \$25,000,000.

42 (3) For annual assessments 12 through 17, 10 percent of the
43 reorganized insurer's earned premiums for the calendar year
44 preceding a given year's assessment, with each year's assessment
45 not to exceed \$50,000,000.

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 c. The mutual holding company shall not pay any portion of
2 the annual assessment for a given calendar year if the mutual
3 holding company's system-wide health risk-based capital
4 authorized control level would fall below 550 percent based on the
5 standards for risk based capital for health organizations as adopted
6 by the National Association of Insurance Commissioners following
7 the payment as applied against the prior calendar year's risk based
8 capital, or if in the opinion of any nationally recognized statistical
9 rating organization, the group credit rating of the mutual holding
10 company would not be considered investment grade. The
11 commissioner shall determine that the mutual holding company's
12 system-wide health risk-based capital authorized control level
13 would fall below 550 percent before payments shall be deferred
14 pursuant to this subsection and paragraph (1) of subsection d. of this
15 section. Neither the insurance company subsidiaries nor the
16 reorganized insurer shall make dividends or distributions to the
17 mutual holding company or any subsidiaries thereof until such time
18 as the annual assessment deferred pursuant to paragraph (1) of
19 subsection d. of this section is satisfied.

20 d. (1) If the mutual holding company does not pay the annual
21 assessment for a given calendar year pursuant to subsection c. of
22 this section, the annual assessment that was not paid shall be
23 deferred to the subsequent calendar year, which shall be the deferral
24 date for the deferred annual assessment, with all subsequent annual
25 assessments pursuant to subsection b. of this section also deferred
26 by another calendar year so that no two annual assessments are due
27 in the same calendar year. If an annual assessment is deferred, that
28 annual assessment shall not be required by law to be paid until the
29 deferral date.

30 (2) Notwithstanding the provisions of paragraph (1) of this
31 subsection to the contrary, the assessment years pursuant to
32 subsection b. of this section shall not be extended beyond, and the
33 payment obligation pursuant to this section shall cease to exist after,
34 the date that is 25 years from the effective time.

35 e. The initial assessment is a one-time business tax imposed on
36 the mutual holding company system and the annual assessment is a
37 limited duration business tax imposed on the mutual holding
38 company system based on the reorganized insurer's business. The
39 assessment of additional taxes, penalties and interest shall be as
40 provided by the "State Uniform Tax Procedure Law," R.S.54:48-1
41 et seq.; provided that no interest shall accrue or penalty shall be
42 levied on a deferred annual assessment.

43 f. The funds collected through the annual assessments paid
44 pursuant to this section shall only be used to fund health care
45 initiatives to benefit policyholders.

46 (cf: P.L.2020, c.145, s.13)

47

48 2. (New section) a. Following regulatory approval pursuant to
49 section 5 of P.L.2020, c.145 (C.) and the establishment of a

1 mutual holding company, the commissioner shall establish a nonprofit,
2 healthcare improvement corporation to be known as the “Healthcare
3 Rate Stabilization and Improvements Organization.”

4 b. The board of the organization shall consist of 12 members, and
5 shall include:

6 (1) four members to be appointed by the Governor, with no more
7 than two members from any one political party;

8 (2) one member appointed by the President of the Senate;

9 (3) one member appointed by the Minority Leader of the Senate;

10 (4) one member appointed by the Speaker of the Assembly;

11 (5) one member appointed by the Minority Leader of the
12 Assembly; and

13 (6) four members appointed by the board of the mutual holding
14 company established pursuant to section 15 of P.L.2020, c.145
15 (C.).

16 c. (1) The initial assessment paid pursuant to subsection a. of
17 section 13 of P.L.2020, c.145 (C.) shall be paid to the
18 organization, and not to the State of New Jersey. No more than 25
19 percent of the initial assessment shall be expended within a fiscal year.
20 The board shall establish a plan for use of the funds for rate
21 stabilization or other purposes that would improve the quality or
22 efficiency of healthcare in the State of New Jersey, including, but not
23 limited to, improving outcomes in infant mortality, maternal mortality,
24 diabetes, heart disease and veteran's health.

25 (2) The board shall establish subaccounts within the account
26 established pursuant to this subsection. Each subaccount shall be
27 allocated to the portion of the initial allocation that approximates the
28 share of total covered lives within the various segments of the health
29 service corporation's covered lives prior to reorganization.

30 The subaccounts shall include, but shall not be limited to,
31 subaccounts on behalf of: small group employers and covered lives;
32 local government employers and covered lives; individual policies;
33 large group employers and covered lives; Medicaid and Medicare
34 payers and covered lives; and school employers and covered lives.

35 d. As used in this section, “organization” means the “Healthcare
36 Rate Stabilization and Improvements Organization” established as a
37 nonprofit, healthcare improvement corporation pursuant to this
38 section.

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40 3. This act shall take effect upon the enactment of P.L.2020,
41 c.145 (C.).

42 43 44 STATEMENT

45
46 This bill requires the annual assessment paid by a reorganized
47 mutual holding company and certain affiliates be used to fund
48 health care initiatives. Current law permits a health care service
49 corporation to reorganize as a mutual holding company. Pursuant

1 to current law, the mutual holding company or any affiliate
2 benefiting from the establishment of a mutual holding company is
3 to pay 17 annual assessments. Through this legislation, it is the
4 sponsor's intent that the funds generated by the assessment, having
5 originally been collected from policyholders, be used to benefit
6 those policyholders rather than to meet the needs of government.

7 This bill requires that the funds collected pursuant to the annual
8 assessments required of a mutual holding company are only to be
9 used to fund health care initiatives to benefit policyholders.

10 The bill also requires the Commissioner to establish a nonprofit,
11 healthcare improvement corporation to be known as the "Healthcare
12 Rate Stabilization and Improvements Organization."

13 The bill provides that the initial assessment paid pursuant to
14 current law is to be paid to the organization, and not to the State of
15 New Jersey. The board of the organization is to establish a plan for
16 use of the funds for rate stabilization or other purposes that would
17 improve the quality or efficiency of healthcare in the State of New
18 Jersey, including, but not limited to, improving outcomes in infant
19 mortality, maternal mortality, diabetes, heart disease and veteran's
20 health.

21 The board is to establish subaccounts within the account
22 established pursuant to the bill. Each subaccount is to be allocated to
23 the portion of the initial allocation that approximates the share of total
24 covered lives within the various segments of the health service
25 corporation's covered lives prior to reorganization.

26 The subaccounts are to include, but not be limited to, subaccounts
27 on behalf of: small group employers and covered lives; local
28 government employers and covered lives; individual policies; large
29 group employers and covered lives; Medicaid and Medicare payers
30 and covered lives; and school employers and covered lives.