

Government of the District of Columbia
Department of Insurance, Securities and Banking



Thomas E. Hampton
Commissioner

BULLETIN
08-IB-04-8/18

TO: ALL INSURERS AUTHORIZED TO OPERATE AS HEALTH MAINTENANCE ORGANIZATIONS

FROM: THOMAS E. HAMPTON, COMMISSIONER

SUBJECT: HMO PREMIUM TAX

DATE: AUGUST 18, 2008

The Department of Insurance, Securities and Banking (“DISB”) announces the following guidelines to be used to implement the “Healthy DC Revenue Amendment Act of 2008,” Act 17-419, which, effective January 1, 2009, will impose a 2% premium tax for each calendar year on health maintenance organizations (“HMOs”).

The 2% premium tax will apply to HMO policy and membership fees and net premium receipts or consideration received in such calendar year excluding those fees, receipts, or consideration received pursuant to the District Medicaid program, the DC HealthCare Alliance, any federal employee health-benefit program or Medicare on all policies or contracts in the District of Columbia.

District of Columbia law neither requires nor prohibits an HMO that is subject to the 2% premium tax from passing the tax, and any costs associated with the collection and payment of the tax, onto its contract holders. HMOs that intend to pass the tax and any associated costs onto its contract holders must, however, do so in conformity with the terms of their existing contracts and any applicable District of Columbia and federal law. To the extent an HMOs contract terms or an applicable law prohibits a mid-term increase in charges or fees, the newly imposed premium tax may not be passed on to in-force contracts until the next renewal date.

In addition, DISB requires that each individual contract holder and group subscriber shall be provided notice by the HMO of any increase in charges or fees at least 30 days prior to the date the proposed adjustment becomes effective.

Any HMO that intends to adjust its rates to reflect the premium tax expense may utilize the following procedure:

1. HMOs that intend to pass through the 2% tax by increasing the premium rate by a flat 2% only may do so by filing with DISB a letter articulating the HMO's intent to impose a flat 2% increase on all such premiums. The filing submitted to the DISB will constitute the rate filing, which will be deemed approved upon receipt; or
2. HMOs that intend to pass through the 2% tax by increasing premium rates in a manner that also materially adjusts the premium rate on some other basis must submit a complete rate filing including an actuarial memorandum and supporting documentation.

If you have any questions concerning this bulletin, please contact Mr. Robert Nkojo, Supervisory Actuary, at (202) 442-7757, or by e-mail at Robert.Nkojo@dc.gov.