



# New Annual Assessment for New Jersey Individual and Large Group Health Insurance

Issued date: 08/04/20

New Jersey Governor Phil Murphy signed Assembly Bill 4389 into law on Friday, July 31. The New Jersey law, effective January 1, 2021, imposes a 2.5% tax on the net premiums collected for individual and large group health plans and is estimated to generate nearly \$220 million annually. The funds will be used make insurance more affordable for working and middle-class consumers.

## ■ Background

Section 9010 of the Affordable Care Act imposed a health insurance tax ("HIT") on insurers beginning in 2014. The HIT is an annual fee that applies to insurers that offer fully insured health coverage in the individual market, group market and public programs. While Congress imposed a one-year moratorium on the HIT for 2017, the HIT resumed in 2018 and was subsequently repealed beginning in 2021. Assembly Bill 4389 was introduced on July 9, 2020, to replace the HIT upon its expiration in January. On July 31, Governor Murphy signed the Bill into law.

## ■ The New Jersey Health Insurer Assessment ("HIA")

The new legislation requires insurance carriers to report to the Department of Banking and Insurance the net value of premium they write during the past year for individual and large group health plans. Premium from small group plans, Medicaid and Medicare policies, nonprofit dental plans and certain self-funded group employer coverage are not included in the assessment. Insurers will be required to pay a 2.5% assessment on the value of these premiums. The money collected will be used to increase affordability and greater access to health insurance for the uninsured through a number of means including subsidies, reinsurance and other efforts. The intent is to offer additional financial help to NJ residents when the state launches its own Marketplace in the fall.

## ■ Employer Impact

New Jersey rates for 2021 health plans will be announced by the carriers shortly. There is growing concern about the 2021 rates which will include the HIA, given the impact of COVID-19 on individuals and businesses of all sizes. We are likely to see this increase passed through to employers in a time when they are already struggling in the pandemic. We will continue to monitor this situation and keep you apprised.