

Department of Legislative Services
Maryland General Assembly
2004 Session

FISCAL AND POLICY NOTE

House Bill 1484 (Delegate O'Donnell)
Ways and Means

Insurance Premium Tax - Health Maintenance Organizations and Managed Care Organizations - Repeal

This emergency bill, contingent upon the override of the Governor's veto of HB 753 of 2003, repeals the 2% insurance premium tax imposed by HB 753 on HMOs and Medicaid managed care organizations (MCOs).

Fiscal Summary

State Effect: None. The bill would maintain the current premium tax exemption for HMOs and MCOs.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: All health insurers, other than nonprofit health service plans, fraternal benefit societies, and HMOs are currently subject to the premium tax. An MCO is not considered an insurer.

Background: HB 753 of 2003 would have: (1) made several changes to State corporate income taxation; (2) imposed a 10% corporate income tax surcharge for tax years 2003, 2004, and 2005; and (3) imposed the 2% insurance premium tax on health maintenance organizations (HMOs) and Medicaid MCOs. The bill was passed by both chambers during the 2003 session; however, Governor Robert Ehrlich vetoed the bill on May 21,

2003, stating that the proposed 2% increase on insurance premiums would further accelerate the increase in health insurance costs for the nearly 1 million individuals who are privately insured under an HMO plan in Maryland. To date, the General Assembly has not overridden this veto; however, HB 753 of 2003 has been special ordered for a vote on April 5, 2004.

There are currently 14 HMOs and seven MCOs operating in Maryland. If a premium tax were imposed on HMOs and MCOs in fiscal 2005, general fund revenues could be as much as \$47,212,199 in fiscal 2005.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Legislative Services

Fiscal Note History: First Reader - March 27, 2004
mll/jr

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