

## OREGON PREMIUM TAX

Effective October 1, 2009, a new law (House Bill 2116) will require insurers of health plans to pay a 1% tax on the gross premium earned from policies that:

- insure Oregon residents, or
- are delivered or issued in Oregon.

Thus, the tax will apply to insurance contracts written and issued in Oregon, as well as policies written in other states that provide health insurance to residents of Oregon. In the second scenario, it appears the premium tax will only apply to the portion of the gross premium allocated to Oregon residents. As this is a state mandate, the premium tax should not apply to self-insured plans.

Health plan policies are defined to include health insurance and insurance provided by health service contractors. It excludes the following:

- Vision only policies;
- Dental only policies;
- Medicare Advantage plans;
- Medicare Part D plans;
- Long term care insurance;
- Health insurance issued to federal employees;
- Stoploss policies;
- Supplemental liability coverage;
- Automobile medical payment insurance;
- Reinsurance;
- Workers compensation insurance; and
- Disability insurance.

Insurers may transfer the cost increase to employers sponsoring group health plans in Oregon or covering Oregon residents via a 1% rate increase. Insurers will be required to provide adequate notice explaining the rate increase in the first billing that reflects the higher premiums. At this point it is unclear which insurers (if any) will increase rates on group health plans, and, if so, whether they will implement this change at renewal or on October 1, 2009.

Assuming a carrier chooses to increase rates on October 1st, this raises an interesting issue from a COBRA perspective. COBRA rates must remain fixed for a 12-month determination period and may only be changed under very limited circumstances.<sup>1</sup> Therefore, if the carrier imposes the rate increase mid-year, it appears the COBRA rates could not be changed to reflect this change. This may leave the employer shouldering the cost associated with this rate adjustment as it pertains to COBRA qualified beneficiaries, at least until the expiration of the current 12-month determination period.

Again, more information from the Oregon Insurance Division as well as the health insurance carriers is needed as we approach October 1, 2009. We will keep you updated as information develops.

#### RESOURCES

- A copy of the bill is available at <http://www.leg.state.or.us/09reg/asures/hb2100.dir/hb2116.en.html>
- The Oregon insurance divisions will be posting updates to their Web site at [http://www.insurance.oregon.gov/insurer/insurer\\_other-info/hb2116-premium-assesment.html](http://www.insurance.oregon.gov/insurer/insurer_other-info/hb2116-premium-assesment.html)

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<sup>1</sup> 26 CFR 54.4980B-8; Q/A-2