

Instructions for Form 4931, *Annual Return for Health Insurance Claims Assessment (HICA)*

On September 20, 2011, Governor Snyder signed legislation creating the Health Insurance Claims Assessment (HICA) Act (P.A. 142 of 2011). Beginning January 1, 2012, certain third party administrators, carriers, and self-insured entities are required to pay an assessment on certain paid health care claims. Visit Treasury's Web site at www.michigan.gov/businessstaxes for additional information and FAQs.

E-file your return using Treasury's secure Web site, <https://treas-secure.state.mi.us/HICA/>. E-filing by the due date ensures timely processing.

Important Information

Assessment Rate

For the majority of filers, the HICA is levied at the rate of 1 percent (1.0%) of the "paid claims" of the covered carrier, third party administrator, or self-insured entity, for dates of service beginning on or after January 1, 2012 through June 30, 2014 and January 1, 2017 through June 30, 2020. For dates of service on July 1, 2014 through December 31, 2016 HICA is levied at the rate of three quarters of one percent (0.75%). See instructions for line 2 and lines 16a through 16d for more information on the HICA rate.

Registration

An *Electronic Funds Transfer Application – Health Insurance Claims Assessment* (Form 4926) is available on Treasury's Web site. Form 4926 must be submitted to register for HICA and to obtain authorization to make HICA payments by Electronic Funds Transfer (EFT). Please allow four weeks for processing.

Quarterly Worksheets

A *Quarterly Worksheet for Health Insurance Claims Assessment* (Form 4930) is available on Treasury's Web site to assist in determining the quarterly liability. The worksheet is **not** submitted to Treasury and should be kept in your records for a period of four years after the HICA annual return due date.

Quarterly Payments

Quarterly payments are due April 30, July 30, October 30 and January 30 and must be made by EFT using Tax Type Code 07100. EFT payment options include both EFT Debit and EFT Credit. Form 4926 must be approved by Treasury before remitting payments.

EFT Credit filers with incorrectly formatted payment files may not have their payment properly posted to their account. It is important to follow the CCD+ format outlined in *Instructions for Payment of Health Insurance Claims Assessment (HICA) Using Electronic Funds Transfer (EFT) Credit* (Form 4925).

E-filing Your Annual Return

E-file your HICA annual return using Treasury's secure Web site <https://treas-secure.state.mi.us/HICA/> by the due date of February 28. In order to log in and e-file your annual return you will need to enter the following:

- Account Number [Federal Employer Identification Number (FEIN), Michigan Establishment (ME) Number, or Treasury-Issued (TR) Number]
- Five-digit ZIP Code
- Return Year

The Account Number and ZIP Code must match exactly what you submitted to Treasury on Form 4926.

E-filing is the preferred method for submitting your annual return, and ensures timely processing.

Why You Must File a Return

Form 4931 balances the assessment due for the return year with the quarterly payments made during the year. File an annual return if you are registered for the HICA, even if you did not make any quarterly payments throughout the year. An annual return is required to be filed by every registered HICA filer, even if you are not requesting a refund, or owe any additional money.

Failure to File a Return

Registered HICA filers who fail to file the HICA annual return are subject to a penalty of \$10 per day from the due date until the return is filed. Maximum penalty is \$400.

Annual Payments

Any applicable annual payment is due by February 28 and must be made by EFT using Tax Type Code 07150.

EFT Credit filers with incorrectly formatted payment files may not have their payment properly posted to their account. It is important to follow the CCD+ format outlined in Form 4925.

Late or Insufficient Payment

HICA payments made after the due date are subject to penalty and interest. The HICA annual return instructions for line 22 explain how to figure penalty and interest.

Late filing of the HICA may result in an immediate assessment (billing) and legal action may be taken to collect the unpaid HICA, penalty, and interest. Legal action may include levying on bank accounts or receivables, offset of money received from the State of Michigan, and referring your account to a collection agency. Business owners and corporate officers may be held personally responsible for any unpaid HICA amount due.

Correspondence

Mail correspondence to:

Michigan Department of Treasury
Special Taxes Division/Misc. Taxes and Fees
PO Box 30781
Lansing, MI 48909-8281

Special Situations

Residency

For purposes of the HICA, a Michigan "resident" is an individual who is domiciled in the State of Michigan on the date that the service in question is performed. "Domicile" means the place where an individual has his or her fixed, permanent and principal home to which he or she returns or intends to return. An individual's domicile in one place continues until a different domicile is established. A rebuttable presumption shall exist that an individual's home address, as maintained in the ordinary business records of a carrier or third party administrator, indicates the domicile of that individual under this definition. Example: An individual who is domiciled in Michigan, but attends college in another state, is a Michigan resident for purposes of the HICA Act. If that individual obtains health services in Michigan while home between semesters, a "paid claim" for the performance of those services will be subject to the assessment under the HICA Act.

Amended Returns

Amended returns must be submitted using Treasury's Secure Web site <https://treas-secure.state.mi.us/HICA/>.

If the amended return results in an additional amount due, your payment should be submitted by EFT using Tax Type Code 07150.

Filing if Return Year is Less than 12 Months

The HICA is based upon a calendar year. If the return year you are filing for is less than 12 months, you will enter the starting and ending dates for the period you are filing.

Return Due After Selling or Discontinuing Business

All HICA filers must submit a final annual return for the return year they discontinue their business. The annual return is due by February 28 and should be e-filed.

Line-by-Line Instructions for Form 4931

Lines not listed are explained on the form.

Amended Return

To amend a previously submitted annual return, the "Amended Return" box must be checked. When logging into Treasury's secure Web site, the "Amended Return" box will be automatically checked for you when inputting the requested information.

Once logged in, you must provide an explanation of the reason for the amendment in the "Amended Return Explanation" box.

Business Start and End Dates

If your business was active for only part of the year, enter the business start date if after January 1st of the return year and the business end date if prior to December 31st of the return year.

Organization Type

Line 1. Check the box indicating your organization type. If your company is both a third party administrator and a carrier, please select either box. For definitions of "carrier" and "third party administrator," see MCL 550.1732. Note that the definition of "carrier" includes an employer or employee organization that establishes or maintains a group health plan. Entities that self-insure for health care are therefore included in the definition of "carrier."

Health Insurance Claims Assessment

Line 2. Enter gross paid claims during the current return year for dates of service on or after January 1, 2012 for actual payments, net of recoveries, made to a health and medical services provider or reimbursed to an individual by a carrier, third party administrator, self-insured entity, or excess loss or stop loss carrier.

Paid Claims and Related Exclusions Not Subject to Assessment

NOTE: For each exclusion listed in lines 3 through 13, enter amounts:

- ONLY TO THE EXTENT INCLUDED IN LINE 2; AND
- ONLY TO THE EXTENT SUCH AMOUNT IS NOT INCLUDED IN ANOTHER LINE IN THIS SECTION.

Line 3. Enter the amount of allowable recoveries. "Recoveries" includes any amounts received by the payer that are applied against a claim (and that actually affect the amount of actual payment made to the provider).

Line 4. Enter the amount of cost containment expenses including, but not limited to, payments for utilization review, care or case management, disease management, medication review management, risk assessment, and similar administrative services intended to reduce the claims paid for health and medical services rendered to covered individuals by attempting to ensure that needed services are delivered in the most efficacious manner possible or by helping those covered individuals maintain or improve their health. Claims-related expenses also includes general administrative expenses, payments made to or by an organized group of health and medical service providers in accordance with managed care risk arrangements or network access agreements, which payments are unrelated to the provision of services to specific covered individuals.

Line 5. Enter any payments made to a qualifying provider under an incentive compensation arrangement if the payments are not reflected in the processing of claims submitted for services rendered to specific covered individuals.

Line 6. Enter payments for specified accident, accident-only coverage, credit, disability income, long-term care, health related claims under automobile insurance, homeowners insurance, farm owners, commercial multi-peril, and worker's compensation, or coverage issued as a supplement to liability insurance.

Line 9. Enter the proportional share of claims paid for services rendered to a person covered under a health benefit plan for federal employees.

Line 10. Enter any payments made under a federal employee health benefit program, Medicare, Medicare Advantage, Medicare Part D, Tricare, by the United States Veterans Administration, and for high-risk pools established pursuant to the Patient Protection

and Affordable Care Act (Public Law 111-148), and the Health Care and Education Reconciliation Act of 2010 (Public Law 111-152).

Line 11. Enter any reimbursements to individuals under a flexible spending arrangement (26 USC 106 (c)(2)), health savings account (26 USC 223), Archer MSA (26 USC 220), Medicare Advantage MSA (26 USC 138), or other health reimbursement arrangement authorized under federal law.

Line 12. Enter any health and medical services costs paid by an individual for cost-sharing requirements, including deductibles, coinsurance, or co-pays.

Line 13. The assessment shall not exceed \$10,000 per insured individual or covered life annually. Enter claims paid in excess of \$1,000,000 per individual, or \$10,000,000 per individual if you checked line 1c.

Line 16a. For claims with dates of service from January 1, 2012 through June 30, 2014, and January 1, 2017 through June 30, 2020, the assessment rate is 1% (0.01). Enter the applicable claims on **line 16a**. The assessment levied at the 1% rate will be calculated and populate in **box 16a**.

Line 16b. For claims with dates of service from July 1, 2014 through December 31, 2016, the assessment rate is 0.75% (0.0075). Enter the applicable claims on **line 16b**. The assessment levied at the 0.75% rate will be calculated and populate in **box 16b**.

Line 16c. If you are a carrier with a suspension or exemption under MCL 500.3717 as of January 1, 2012, and have checked box 1c, the assessment rate for all claims is 0.1% (0.001). Enter the applicable claims on **line 16c**. The assessment levied at the 0.1% rate will be calculated and populate in **box 16c**.

Line 16d. The sum of **boxes 16a, 16b and 16c** will be populated in **box 16d**. This is the total assessment amount for the year.

Line 17. Enter your total HICA quarterly payments made for the return year. Do not include penalty and interest for late quarterly payments on this line.

Line 18. Enter the total proportional credit amount for the assessment year. The proportional credit amount is listed on the Proportional Credit Notification letter sent by Treasury before July 1. If no credit was received for the assessment year, enter zero on line 18.

Line 22. You will owe penalty and interest for late payment of the assessment if you pay after the due date.

If you have an underpayment on line 21 that is paid late, the penalty is as follows:

- 5 percent of the assessment due if the late payment is received within two months of the due date.
- 5 percent of the assessment due for each subsequent month, or part thereof, the assessment is not paid.
- Maximum penalty is 25 percent of the assessment due.
- Interest is due at the rate of 1 percent above the prime interest rate from the day the assessment is due until it is paid. The interest rate will be adjusted January 1 and July 1. Interest does not calculate on penalty amounts.
- A penalty and interest calculator is available on Treasury's Web site at www.michigan.gov/taxes.

Line 23. This is your total HICA amount due for the return year, including any applicable penalty and interest. Payments must be made by EFT.

Line 24. This is your total HICA amount to be refunded for the return year. The State does not refund amounts less than \$1.