

IPAA Frequently Asked Questions

3/7/2018 (Revised 06/17/20)

Q: When did the Insurance Provider Assessment Act go into effect?

A: The Insurance Provider Assessment Act, Public Act 175 of 2018, was signed into law on June 11, 2018. The effective date of the IPAA was conditioned upon approval by the Center for Medicare and Medicaid Services (CMMS) of a waiver from certain federal provisions applicable to health care-related taxes. The IPAA would become effective only as of the first day of the calendar quarter in which the approval of a waiver request was received. CMMS approved a waiver for the IPAA on December 10, 2018. The IPAA is therefore enacted effective as of October 1, 2018.

Q: What time period does the Initial Assessment cover?

A: The initial assessment was prorated, so a partial assessment was based on 2017 member months but paid in two installments due Jan 30 and April 30, 2019.

Q: What time period will be included in subsequent assessments to be issued in June of each year?

A: The annual assessment that will be received in June of each year will be for the previous calendar year, based on member months reported on regulatory filings (FIS0322) received by DHHS/DIFS in March of each year.

Q: Who determines the assessments and on what criteria?

A: For each insurance provider, the tax is based on the number of member months reported on their annual financial statement filed with DIFS or MDHHS, whichever is applicable, for the previous calendar year. MDHHS is the source of member months for specialty prepaid health plans (PIHPs). DIFS is the source of member months for all other insurance providers and coverages.

Q: What is a 'member month'?

A: Member months mean the total number of individuals for whom the insurance provider has recognized revenue for 1 month. If revenue is recognized for only part of a month, a prorated partial member month may be counted.

Q: What are the payment options to make an IPAA payment?

A: Remittances must be made electronically via Treasury's IPA e-payment system. Paper checks are not accepted. The IPA e-payment system is available from Treasury's website at www.michigan.gov/treasury; then select Taxes, then Business Taxes, then Miscellaneous Taxes & Fees, and then the Insurance Providers Assessment Act. Click on 'make a payment' and you will be launched into the e-payments system. **IMPORTANT:** This is a different payment channel than HICA.

Q: Will I receive a reminder when payments are due throughout the year?

A: No, only one notice will be mailed annually. Annual notices will be mailed in June of each year and will be for four equal quarterly payment amounts that are due July 30, October 30, January 30 and April 30.

Q: How can I obtain a copy of my IPAA Notice of Assessment? Is it available online?

A: The IPAA Notice of Assessment is not available online. Please call the Miscellaneous Tax and Fees unit at 517-636-0515 to obtain a copy of your IPAA Notice of Assessment.

Q: What if my company has Debit Blockers or Debit Filters on the bank account?

A: Please contact your bank and provide Treasury's company ID 9044030366. Instruct your bank to allow this company ID to debit your account.

Q: What if the payment is late?

A: IPAA falls under the Revenue Act, so late payments will accrue penalty and interest.

Q: Are there appeal rights on the IPAA assessment?

A: Yes, the appeal rights are outlined in the ANNUAL assessment notice. The appeal **MUST** be made within 60 days from the date on the Notice of Assessment to appeal to the State of Michigan for an informal conference, or to the Michigan Tax Tribunal. There are other conditions depending on how the appeal is made. Contact Treas_Tax_Policy@michigan.gov for additional details.

Q: Is there an overlap between HICAA and IPAA payments?

A: No. For Taxpayers subject to HICAA, HICAA liability for 2018 should be computed on all taxpayer "paid claims" incurred prior to October 1, 2018. For a claim to be a "paid claim" incurred prior to October 1, 2018, both the actual payment of the claim as well as the date of service of the claim must have taken place prior to October 1, 2018. If the date of service of the claim was prior to October 1, 2018 but the claim was not actually paid until on or after October 1, 2018, that claim does not fall within the definition of a "paid claim" and is therefore not taxable under HICAA.

Q: Why was the initial assessment for 2 quarters of the IPAA in 2018 when it was only effective for 1 quarter in 2018?

A: The IPAA statute specifies what was included in the initial assessment to IPAA taxpayers. That statute states that the initial assessment was calculated based upon member months reported by taxpayers in regulatory filings for the 2017 calendar year, pro-rated to two quarters. That pro-rated amount was then split into two payments, with one payment due January 30, 2019 and the second payment due April 30, 2019. The initial assessment amount was NOT based on 2018 member months and did not correlate or correspond with any quarters from 2018. It is simply calculated according to the methodology specified by the legislature in the statute. For future years, the annual assessment will be based on reported member months for the previous calendar year. Accordingly, in the June timeframe you received the 2019 assessment, which was based upon member months reported for the 2018 calendar year.

Q: Are there types of coverages that are exempt from the IPAA?

A: Yes, the following coverages are excluded from the IPAA tax base:

- Short-term medical
- 1-time limited duration
- Non comprehensive medical

- Specified disease
- Limited benefit
- Accident only
- Accidental death and dismemberment
- Disability income
- Long term care
- Medicare supplement
- Stand-alone dental
- Dental
- Medicare, Medicare Advantage, Medicare part D
- Vision, Prescription
- Other individual write-in coverage
- Federal employee health benefit
- Tricare
- Other group write-in coverage
- Credit
- Stop loss, Excess loss
- Administrative services only, Administrative services contracts

Q: Is the IPAA amount an estimate that may or may not cover an entity's total IPAA liability depending on actual membership?

A: No, this amount is not an estimate. For each insurance provider, the tax is based on the number of member months reported on their annual financial statement filed with DIFS or MDHHS, whichever is applicable, for the previous calendar year.

Q: Is the IPAA amount in the rates subject to withholding, meaning that an entity is at risk of losing some of the money intended to cover the IPAA tax?

A: No, it is not subject to withholding.

Q: Is there a significant risk that what is built into the rates will be insufficient to cover the actual IPAA tax burden?

A: No, the IPAA is reimbursed through a gross adjustment outside of the capitation rate. It is only included in the rate certification for the purpose of approval by CMS. You may contact Penny Rutledge at rutledgep1@michigan.gov if you have further questions regarding the capitation rates.

Q: Where can I obtain additional information on IPAA?

A: Visit: https://www.michigan.gov/taxes/0,4676,7-238-43519_43542-485315--,00.html

Email: Treas_misctaxesfees@michigan.gov

Phone: 517-636-0515