



304 - PREMIUM TAX REPORTING

Effective Date: 10/01/11, 10/01/13

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Staff responsible for policy: DHCM Finance

I. Purpose

This policy applies to Acute Care, Behavioral Health Services (BHS), Arizona Long Term Care System Elderly and Physically Disabled (ALTCS/EPD), Children's Rehabilitation Services (CRS), Comprehensive Medical and Dental Program (CMDP) and ALTCS Division of Developmental Disabilities (DDD) Contractors. This policy outlines the procedures necessary for AHCCCS Contractors to report and pay Premium Tax to the Arizona Department of Insurance (DOI) on a quarterly basis. Under A.R.S. §36-2905 and §36-2944.01, each AHCCCS Contractor is required to pay to the DOI a tax equal to 2% of the total capitation, including reinsurance, and any other reimbursement **paid** to the Contractor by AHCCCS from and after October 1, 2003. Each Contractor will report and pay premium tax to the DOI for all payments received from AHCCCS during the quarter. The tax is based on date of payment, not date of service. AHCCCS administration will report to the DOI the total payments to each Contractor for the calendar year by February 15th of the following year.

II. Policy

A. Quarterly Submission of Premium Tax to DOI

Each AHCCCS Contractor is required to file a quarterly tax report with the DOI, and pay estimated premium taxes based on estimated payments received for the current quarter. See Attachment A for information on how payments will be handled. The premium tax is based on date of payment, not date of service. The tax payments are due on or before March 15, June 15, September 15 and December 15 of each year. The amount of the payments shall be an estimate of the tax due for the quarter that ends in the month that payment is due. If a Contractor has no tax to report, the Contractor must file a form stating \$0 tax due. Contractors are required to periodically monitor the DOI website for updated forms and instructions. The quarterly tax report can be found on the DOI website at www.azinsurance.gov.

B. Payments include:

- Capitation revenue
- Delivery supplemental payments



- Reinsurance
- Reconciliation payments/recoupments
- Monies withheld due to sanctions or other liens shall not reduce the taxable amount due. These amounts will be added back into the total payments

C. Payments to Contractors; Inclusion/Exclusion of Premium Tax:

- All capitation rates effective October 1, 2003 and after include the premium tax in the rate.
- Reconciling payments/recoupments, supplemental payments, and withheld capitation subsequently paid to Contractors for payment reform initiatives will have the premium tax included in the payments/recoupments.
- Reinsurance payments include the premium tax for all payments/recoupments made after October 1, 2003.

C. Payments Excluded from Premium Tax:

- *Tribal Case Management* – Tribal Contractors only receive payment for case management services and payments are paid on a fee-for-service basis. Additionally, Tribal Case Management only receives payments on behalf of a member for a month in which some case management service is provided to the member. In other words, if no services are provided to a member for a month, they do not receive the monthly case rate for that member. Thus, this is not capitation as defined and payments are therefore not subject to premium tax.
- *Federally Qualified Health Centers (FQHC)* – FQHCs contract with AHCCCS Contractors to provide services to members. Direct payments from AHCCCS to FQHCs are not considered capitation from AHCCCS and thus are not subject to the premium tax.
- *Health Care Group (HCG)* – HCG is eligible under A.R.S. §36-2901, paragraph 6, subdivision (b), (c), (d) or (e), which is not included within the scope of the legislation.
- *Third Party Liability* – If a Contractor pays a claim and finds that there is another party that is responsible for paying the claim, the Contractor or AHCCCS (via the AHCCCS contracted TPL administrator) will subrogate the claim to the third party and will recover the amount that had been paid from the third party. The recovery of the expense is not subject to premium tax.
- *Overpayments* – Recovery of an overpayment made by a Contractor to a provider is considered a contra-expense and is not subject to premium tax.
- *Indian Health Services* – Payments are paid on a fee-for-service basis and not subject to premium tax.



- *State Only Transplant Payments* – State Only Transplants, as specified in A.R.S. §36-2907.10 and §36-2907 are not included within the scope of the legislation.

D. Quarterly Reporting to AHCCCS

In addition to filing the original Form E-QTR, AHCCCS Contractor Quarterly Premium Tax Report, each Contractor will submit a copy of the premium tax report(s) filed with the DOI to DHCM. This copy can be submitted to AHCCCS electronically or in hard copy format. Hard copies should be sent to:

Finance Manager, DHCM
AHCCCS
701 E. Jefferson, M/D 6100
Phoenix, AZ 85034

The copy of the quarterly premium tax report(s) shall be due to DHCM on the same date the original quarterly premium tax report is due to the DOI. On a quarterly basis DHCM will compare the report to AHCCCS Contractor payment records. AHCCCS will work with the Contractor to research and resolve any discrepancies.

E. Annual Reporting to DOI by Division of Health Care Management

No later than January 31 of each year, the AHCCCS Division of Business and Finance (DBF) shall provide a report to DHCM listing all payments AHCCCS made to Contractors for the preceding calendar year. By February 15 succeeding the end of a calendar (tax) year, DHCM will report the total amount AHCCCS paid to Contractors, by plan, to:

Compliance Section Manager, Financial Affairs Division
Arizona Department of Insurance
2910 N. 44th St., Suite 210
Phoenix, AZ 85018-7256

The DOI will compare this information to the quarterly reports submitted by the Contractors. The DOI will issue an assessment of additional tax and may impose penalties and interest to a Contractor that underpaid the tax during the preceding calendar year. The penalty may be as much as 5% of the amount of tax paid late, with a minimum penalty of \$25. Interest is 1% of the tax paid late per month. The DOI will issue refunds to any Contractor that overpaid the tax for the calendar year period.



III. Payment Options

- A. Payment by check can be mailed, delivered by overnight courier or hand delivered. The DOI accepts U.S. Postal Service postmark as evidence of filing. Postage meter stamps do not apply. Filings received by overnight courier must include an airbill or receipt bearing the date that the item was picked up by the courier from the originating sender. Hand deliveries must be received before 5:00 P.M. on the due date.
- B. To electronically pay taxes, fees or related penalty or interest, please use the NAIC OPTins system managed by the Department of Insurance (DOI). Instructions can be found on the DOI website at www.azinsurance.gov.
- C. Payment is due on or before the due date for filing. When a due date falls on a weekend or a state holiday, it is extended to the following business day.

IV. Timeliness

The submission of late reports shall constitute failure to report subject to the Civil Penalty and Interest for Late Tax Payment provisions described in the premium tax reporting instructions found on the DOI website.

V. Adjustments to Quarterly Premium Tax Payments

The tax form includes a line to make overpayment or underpayment adjustments to the previous quarter for the first three quarters of the calendar year. Adjustments to the December 15 payment will not be reported on the March 15 tax report.

The DOI will reconcile all tax payments received to the data provided by AHCCCS before April 1 of the following calendar year and will issue an assessment with a Notice of Right of Appeal if the Contractor has underpaid the tax for the calendar year period.

If a Contractor receives a significant payment from AHCCCS after a tax report is filed but before the end of the tax period, the Contractor should promptly file an amended tax report for that period along with documentation supporting the amended filing and additional tax payment.

VI. Reference

- A.R.S. §36-2905 and §36-2944.01
- Arizona Department of Insurance website at www.azinsurance.gov
- ACOM Policy 304, Attachment A – Matrix of Managed Care Contracting and Reimbursement Premium Tax Collection