

304 - PREMIUM TAX REPORTING

EFFECTIVE DATES: 10/01/11, 10/01/13, 10/01/15, 07/01/16, 10/01/18, 07/01/20, 04/14/23, 10/01/24

APPROVAL DATES: 10/01/08, 10/01/10, 04/25/12, 11/08/12, 10/01/13, 01/22/14, 11/01/14, 07/02/15, 04/07/16, 09/27/18, 05/14/20, 04/03/23, 05/14/24

I. PURPOSE

This Policy applies to ACC, ACC-RBHA, ALTCS E/PD, DCS/CHP (CHP), and DES/DDD (DDD) Contractors. This Policy specifies the procedures necessary for Contractors to report and pay premium tax to the Arizona Department of Insurance and Financial Institutions (DIFI) on a quarterly basis.

II. DEFINITIONS

Refer to the [AHCCCS Contract and Policy Dictionary](#) for common terms found in this Policy including:

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| CONTRACT YEAR | MEMBER | |
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For purposes of this Policy, the following terms are defined as:

DEPARTMENT OF INSURANCE AND FINANCIAL INSTITUTIONS (DIFI) Formally Arizona Department of Insurance (ADOI). This name change was effective July 1, 2020.

FEDERALLY QUALIFIED HEALTH CENTER (FQHC) A public or private non-profit health care organization that has been identified by the HRSA and certified by CMS as meeting criteria under Sections 1861(aa)(4) and 1905(l)(2)(B) of the Social Security Act.

PREMIUM TAX The tax imposed pursuant to ARS 36-2905 and ARS 36-2944.01 for all payments made to Contractors for the Contract Year.

Additional definitions are located on the AHCCCS website at: [AHCCCS Contract and Policy Dictionary](#).

III. POLICY

ARS 36-2905 and 36-2944.01 require the AHCCCS Contractor to report and pay to the Arizona Department of Insurance and Financial Institutions (DIFI) a tax equal to 2% of the total Title XIX/XXI payment, including capitation payments, reinsurance payments, state directed payments and any other reimbursement paid to the Contractor by AHCCCS. Each Contractor shall report and pay premium tax to DIFI for all Title XIX/XXI payments received from AHCCCS during the quarter being reported. AHCCCS will report to the DIFI the total Title XIX/XXI payments made to each Contractor for the calendar year by February 15 of the following year.

A. QUARTERLY SUBMISSION OF PREMIUM TAX TO DEPARTMENT OF INSURANCE AND FINANCIAL INSTITUTIONS

The Contractor is required to file a quarterly tax report with the DIFI, and pay estimated premium taxes based on estimated Title XIX/XXI payments received for the current quarter. Refer to Attachment A for information on how payments will be handled.

The premium tax is based on date of payment, not date of service. The DIFI requires quarterly tax payments. Refer to <https://insurance.az.gov/insurers/taxes/ahcccs-contractor> for the due dates.

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 shall file a form stating \$0 tax due. The Contractor is required to periodically monitor the DIFI website for updated forms and instructions.

The quarterly tax report form, E-AHCCCS: AHCCCS Contractor Quarterly Premium Tax Report, can be found on the DIFI website.

B. PAYMENTS INCLUDED FOR PREMIUM TAX SUBMISSION TO DEPARTMENT OF INSURANCE AND FINANCIAL INSTITUTIONS

1. Capitation revenue payments.
2. Delivery supplemental payments.
3. State directed payments authorized under Medicaid managed care rules 42 CFR 438.6(c) include but are not limited to: Differential Adjusted Payments (DAP), Targeted Investments, Access to Professional Services Initiative (APSI), Pediatric Services Initiative (PSI), Safety Net Services Initiative (SNSI), Hospital Enhanced Access Leading to Health Improvements Initiative (HEALTHII), or Nursing Facility Payments.
4. Withhold and Quality Measure Performance Incentive Payments and Performance Based Payments pursuant to Value Based Purchasing/Alternative Payment Model Initiative ACOM Policies 306 and 307.
5. Reinsurance payments.
6. Reconciliation payments/recoupments.
7. Targeted Case Management payments.

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. AHCCCS PAYMENTS TO CONTRACTORS: INCLUSION/EXCLUSION OF PREMIUM TAX

1. All capitation rates include the premium tax in the rate.
2. Reconciling payments/recoupments, supplemental payments, cost settlements, state directed payments, and Value Based Purchasing/ Alternative Payment Model withhold and incentive payments, will have the premium tax included in the payments/recoupments.
3. Reinsurance payments include the premium tax for all payments/recoupments made.

D. PAYMENTS EXCLUDED FROM PREMIUM TAX

1. Tribal Case Management – Tribal contractors are paid a case management Per Member Per Month (PMPM) rate as determined by a case management model developed by AHCCCS. Tribal contractors are exempt from Arizona state taxes thus these payments are not subject to premium tax.
2. Tribal Regional Behavioral Health Authorities (TRBHA) Title XIX Administration – TRBHAs are paid a Title XIX Administration payment by AHCCCS. Tribal contractors are exempt from Arizona state taxes thus these payments are not subject to premium tax.
3. Federally Qualified Health Centers (FQHC) – FQHCs contract with AHCCCS Contractors to provide services to members. Direct payments from AHCCCS to FQHCs through quarterly supplemental payments or annual reconciliation payments are not considered capitation from AHCCCS and thus are not subject to the premium tax.
4. Amounts recovered from third parties as specified in ACOM Policy 434 are not subject to premium tax.
5. Overpayments – Recovery of an overpayment made by a Contractor to a provider is considered a contra-expense and is not subject to premium tax.
6. Fee-For-Service – Payments which are made by the AHCCCS administration directly to providers are paid on a Fee-For-Service (FFS) basis and not subject to premium tax.
7. State Only Transplant Payments – State Only Transplants, as specified in ARS 36-2907.10 and 36-2907.11 are not included within the scope of the legislation.
8. Pre-Admission Screening and Resident Review (PASRR) - Payments which are made by AHCCCS to the ACC-RBHAs for compensation of level two evaluations for Preadmission Screening and Resident Review (PASRR) conducted in conformance with 42 CFR Part 483, Subpart C and AMPM Policy 680-C are not subject to premium tax.
9. Payments for ACC-RBHA Non-Title XIX/XXI Funding– Payments of state general fund, federal grants, county, city, or local funds are not subject to premium tax.

E. QUARTERLY REPORTING TO AHCCCS

In addition to filing the original Premium Tax Form (E-AHCCCS) and AHCCCS Contractor Quarterly Premium Tax Report to the DIFI, each Contractor shall submit a copy of the quarterly Premium Tax report(s) filed with the DIFI to AHCCCS/Division of Business Finance (DBF) as specified in Contract. This copy should be submitted to the AHCCCS/DBF, Finance Manager electronically. The electronic copy of the quarterly Premium Tax report(s) shall be due to AHCCCS/DBF on the same date the original quarterly Premium Tax report is due to the DIFI, refer to <https://insurance.az.gov/insurers/taxes/ahcccs-contractor> and as specified in Contract.

On a semi-annual basis, occurring in June and December, AHCCCS/DBF will compare the report to Contractor payment records. AHCCCS/DBF will work with the Contractor to research and resolve any discrepancies.

F. ANNUAL REPORTING TO DIFI BY DIVISION OF HEALTH CARE MANAGEMENT

By February 15 following the end of a calendar (tax) year, AHCCCS/DBF will report the total Title XIX/XXI amount AHCCCS paid to Contractors, by plan, to the Financial Affairs Division of DIFI.

The DIFI 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. The DIFI may impose penalties and interest to a Contractor that underpaid the tax during the preceding calendar year. Refer to Section 5 - Civil Penalty and Interest of the DIFI "AHCCCS Contractor Premium Tax Report". The DIFI will issue refunds to any Contractor that overpaid the tax for the calendar year period.

IV. PAYMENT OPTIONS

Payment by check can be mailed, delivered by overnight courier or hand delivered. The DIFI accepts U.S. Postal Service postmark as evidence of filing. Postage meter stamps do not apply. Filings received by overnight courier shall include an air bill or receipt bearing the date that the item was picked up by the courier from the originating sender. Hand deliveries shall be received before 5:00 P.M. on the due date.

To pay taxes, fees, related penalties, or interest electronically, use the National Association of Insurance Commissioners (NAIC) OPT ins system managed by the DIFI. Instructions can be found on the DIFI website: <https://difi.az.gov/ahcccs-contractor>.

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.

V. 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 DIFI website.

VI. 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 cannot be reported on the March 15 tax report.

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.