I. PURPOSE

This Policy applies to AHCCCS Complete Care, ALTCS E/PD, DCS/CMDP (CMDP), DES/DDD (DDD), and RBHA Contractors. This Policy outlines the procedures necessary for Contractors to report and pay Premium Tax to the Arizona Department of Insurance (ADOI) on a quarterly basis.

II. DEFINITIONS

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

**PREMIUM TAX**
The premium tax is equal to the tax imposed pursuant to A.R.S. §36-2905 and A.R.S. §36-2944.01 for all payments made to Contractors for the contract year.

**THIRD-PARTY LIABILITY**
An individual, entity, or program that is or may be liable to pay all or part of the medical cost of injury, disease or disability of an AHCCCS applicant or member as defined in A.A.C. R9-22-1001.

III. POLICY

Under A.R.S. §36-2905 and §36-2944.01, each AHCCCS Contractor is required to pay to the ADOI a tax equal to 2% of the total Title XIX/XXI capitation, including reinsurance, and any other reimbursement paid to the Contractor by AHCCCS. Each Contractor will report and pay Premium Tax to the ADOI for all Title XIX/XXI payments received from AHCCCS during the quarter being reported. AHCCCS will report to the ADOI the total Title XIX/XXI payments to each Contractor for the calendar year by February 15 of the following year.

A. QUARTERLY SUBMISSION OF PREMIUM TAX TO ADOI

The Contractor is required to file a quarterly tax report with the ADOI, and pay estimated Premium Taxes based on estimated Title XIX/XXI 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 shall file a form stating $0 tax due. The Contractor is required to periodically monitor the ADOI website for updated forms and instructions.

The quarterly tax report form can be found on the ADOI website at AHCCCS Contractor Quarterly Premium Tax Report (E-AHCCCS).

**B. PAYMENTS INCLUDED FOR PREMIUM TAX**

1. Capitation revenue payments,
2. Delivery supplemental payments,
3. Health insurance providers fee payments,
4. Targeted Investment payments,
5. Withhold and Quality Measure Performance Incentive Distributions and Performance Based Payments pursuant to Alternative Payment Model Initiative ACOM policies 306 and 307.
6. Reinsurance payments,
7. Reconciliation payments/recoupments,
8. Nursing Facility Supplemental Payments,
9. Rural Hospital Supplemental Payments,
10. 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**

1. All capitation rates include the Premium Tax in the rate.
2. Reconciling payments/recoupments, supplemental payments, cost settlements, and health insurance providers fee 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

**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.

**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.

**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.

**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.

**Fee-For-Service** – Payments which are made by the AHCCCS Administration directly to providers 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 §36-2907.11 are not included within the scope of the legislation.

**RBHA and ALTCS E/PD Non-Title XIX/XXI Payments** – 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 ADOI, each Contractor shall submit a copy of the quarterly Premium Tax report(s) filed with the ADOI to AHCCCS DHCM, Finance as specified in Contract. This copy should be submitted to the AHCCCS DHCM Finance Manager electronically.

The electronic 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 ADOI (see https://insurance.az.gov/insurers/taxes/ahcccs-contractor) and as specified in Contract.
On a semi-annual basis, occurring in June and December, DHCM will compare the report to Contractor payment records. AHCCCS will work with the Contractor to research and resolve any discrepancies.

**F. ANNUAL REPORTING TO ADOI BY DIVISION OF HEALTH CARE MANAGEMENT**

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

The ADOI 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 ADOI 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 ADOI 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 ADOI accepts U.S. Postal Service postmark as evidence of filing. Postage meter stamps do not apply. Filings received by overnight courier shall include an airbill 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 penalty, or interest electronically, use the National Association of Insurance Commissioners (NAIC) OPTins system managed by the ADOI. Instructions can be found on the ADOI website: https://insurance.az.gov/insurers/taxes.

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 ADOI 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.