Senate Fiscal Agency
P.O. Box 30036
Lansing, Michigan 48909-7536

BILL ANALYSIS

Telephone: (517) 373-5383
Fax: (517) 373-1986

House Bill 4968 (Substitute H-1 as passed by the House)
Sponsor: Representative Greg VanWoerkom
House Committee: Appropriations
Senate Committee: Committee of the Whole

Date Completed: 9-29-25

CONTENT

The bill would amend the Insurance Provider Assessment Act to allow the Department of Health and Human Services (DHHS) to continue assessing the current, federally-approved insurance provider assessment unless the Federal Centers for Medicare and Medicaid Services (CMS) ended the current Federal approval. If current approval were ended based on recent Federal rule changes made by the One Big Beautiful Bill Act (OBBBA), the DHHS would have to propose an assessment structure to the CMS that complied with those changes and with the bill's requirements.

The bill is tie-barred to House Bills 4183, 4951, and 4961. House Bill 4183 would increase the gas tax beginning October 1, 2025. House Bill 4951 would enact the "Comprehensive Road Funding Tax Act", which would impose an excise tax on the wholesale price of marihuana and allocate the revenue to specific funds for roads. House Bill 4961 would modify income tax requirements to comply with Federal law.

Upon Federal approval, the Act imposes an annual assessment on the number of member months for each insurance provider as reported to the Department of Insurance and Financial Services (DIFS) or the DHHS, as applicable.[1] Specific assessment amounts vary and are based on the type of insurance, generally whether the member month plan is a Medicaid or private insurance plan. The revenue from the assessment funds Michigan's Medicaid Program.

Under the bill, if Federal approval were on an ongoing basis, the DHHS could use information in the approval waiver instead of updating the tax on an annual basis. The DHHS could continue with the tax structure that was federally approved on December 20, 2024, and in place on July 4, 2025, unless the CMS end dated the waiver.[2, 3]

If the waiver that was approved on December 20, 2024, were ended by CMS, the DHHS would have to propose to CMS a tax structure that complied with updated broad-based and uniform requirements under Federal law and regulation. Beginning with approval from CMS of a revised insurance provider assessment tax structure, the bill would impose an annual assessment on the number of member months for each insurance provider reported on its annual financial statement filed with DIFS or the DHHS, whichever was applicable, for the previous calendar year. The tax rate would have to be determined each year by the DHHS for

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[1] Generally, "member month" means the total number of individuals for whom the insurance provider has recognized revenue for one month.
[2] The waiver approved by the Federal Centers for Medicare and Medicaid Services waived specific broad-based and uniform Federal requirements on the State's imposed insurance assessment.
[3] On July 4, 2025, the OBBBA was enacted. Among other things, the OBBBA modified broad-based and uniform Federal requirements related to State's imposition of insurance assessments.

the dollar amount necessary per member month to achieve a total revenue not to exceed the total revenue due for the tax year of April 1, 2024, through March 31, 2025. The per-member month tax rate would have to be the same for all tiers currently prescribed by the Act.

Additionally, the Department of Treasury must provide DIFS with written notice of an insurer's failure to pay a member month assessment described above. The Director of DIFS may suspend or revoke an insurer's authority to transact insurance in the State for failing to pay a member month assessment. Under the bill, if the Director of DIFS issued a suspension, the Director would have to provide written notice to the standing committees on insurance with 10 days of the suspension's issuance.

MCL 550.1757 et al. Legislative Analyst: Tyler VanHuyse

FISCAL IMPACT

The bill would have no net fiscal impact on State or local units of government. It would authorize the DHHS to continue collecting and utilizing Insurance Provider Assessment (IPA) revenue to fund some of the State's share of Medicaid costs. The IPA revenue supports Federal matching funds for reimbursable services under the Traditional Medicaid program and the Healthy Michigan Plan. The continued use of this tax structure is contingent upon approval by CMS as it must comply with provider tax restrictions as stipulated in Sec. 71117 of H.R.1, Public Law 119-21.

The State collects about $650.0 million in IPA revenue each year, which funds Medicaid payments for health services and draws roughly $1.75 billion in Federal matching funds. The IPA revenue also offsets discretionary General Fund/General Purpose funding that would otherwise cover the State's share of Medicaid costs.

Enacted July 4, 2025, H.R. 1 revises state rules for provider taxes used in Medicaid funding. All Medicaid provider taxes will be uniformly assessed at a rate not exceeding 6.0% beginning in Fiscal Year (FY) 2027-28, with a gradual reduction to a maximum of 3.5% by FY 2031-32. The IPA tax structure under current Michigan law does not meet these uniformity requirements and CMS has yet to clarify rules for pre-existing taxes. The bill would require the DHHS to seek a waiver from CMS to maintain current IPA rates while preparing for changes made under H.R. 1, Public Law 119-21. If CMS approved the waiver described in the bill, an annual assessment would be levied on insurance providers based on the number of member months for each insurance provider. The tax rate on a per member month basis would be determined annually by the DHHS to achieve a total revenue not to exceed the total revenue due for the tax year of April 1, 2024, through March 31, 2025.

Fiscal Analyst: Nathan Leaman
John P. Maxwell