

# Premium Tax Effect

| Pre-Tax Margin | Effective Impact of Premium Tax (est.)                                  | Total Federal Tax Rate (est.) [if applicable]                 |
|----------------|---|---|
| -1%            | Tax owed, even where the plan is running at a loss or a negative margin | Could not offset new tax with current or previous year losses |
| 0.5%           | 232%  | 267%  |
| 1%             | 116%  | 151%  |
| 2%             | 58%   | 93%   |
| 3%             | 39%   | 74%   |
| 6%             | 19%   | 54%   |
| 8%             | 15%   | 50%   |

- Under the merged Senate bill, \$6.7B annual premium tax applies to fully insured & 200% of TPA Agreement fees = estimated 1.16% tax rate
- 1.16%\* premium revenue/health plan profit margin = effective impact of premium tax for affected lines of business
- The effective impact of the \$6.7 billion premium tax is in addition to other taxes imposed today such as existing federal income tax, state income tax and state premium tax that results in a total combined tax rate.
- Estimate of tax rate is conservative. Other estimates put the tax rate under the merged Senate bill at 1.33%, which would increase the impact - e.g., to above 300% total tax rate for a 0.5% margin