



Department of Financial Services
OFFICE OF INSURANCE REGULATION

MEMORANDUM

Date: June 13, 2003

To: Insurance Providers

From: Susan Pareigis, Director, Agency for Workforce Innovation
Kevin McCarty, Director, Office of Insurance Regulation

Subject: Health Coverage Tax Credit

This is to ensure that you are aware of a new federal law: The Trade Reform Act of 2002, (P.L. 107-210). This law created a federal tax credit to help pay for the private health coverage for displaced workers certified to receive certain Trade Adjustment Assistance (TAA) benefits and for individuals receiving benefits from the Pension Benefit Guaranty Corporation (PBGC). The credit is referred to as the Health Coverage Tax Credit (HCTC).

In accordance with the healthcare provisions of the Act, eligible individuals in Florida will be able to automatically enroll in qualified plans in the following categories:

COBRA	Any continuation coverage that the eligible individual has under the federal Consolidated Omnibus Budget and Reconciliation Act of 1985.
SPOUSE'S COVERAGE	Coverage under a group health insurance plan that is available to the eligible individual's spouse, if the spouse's employer contributes less than 50 percent of the total cost of coverage for the spouse, eligible recipient, and any dependent.
INDIVIDUAL INSURANCE	Coverage under individual health insurance if the eligible individual was covered under the insurance during the entire 30 day period prior to separation from employment that qualifies the person as a TAA or PBGC recipient.

The state may also approve plans with providers of health insurance (including individual insurance) to offer other coverage to eligible individuals. All eligible insurance providers in the state may develop plans specifically for eligible HCTC recipients. For individuals who have had at least three months of creditable coverage prior to seeking enrollment under the "state arrangement" category, the insurance will only be considered qualified health insurance if it meets the following four federal criteria:

- Guaranteed issue:* Qualifying individuals must be guaranteed enrollment regardless of medical status and must be permitted to remain enrolled as long as they pay the premium.
2. *No pre-existing condition restrictions:* No pre-existing condition restriction may be imposed on qualifying individuals.
 3. *Nondiscriminatory premium:* The premium charged for a qualifying individual may not be greater than the premium for a similarly situated person who is not receiving the same credit.
 4. *Benefits are the same:* Under coverage provided to similarly situated persons who are not qualifying individuals, the benefits are the same (or substantially the same).

The federal tax credit equals 65 percent of the amount paid by the eligible individual for health insurance coverage for the individual and qualifying family members. An eligible individual will be able to either claim the credit on his/her income tax return, or to claim the credit on a monthly basis by having the federal government to pay the monthly premium on his/her behalf. For those individuals who claim the tax credit at the end-of-year, the plans and premium payments will continue to be administered by the company, the third party administrator or the individual. Since the "end-of-year" tax credit provision became effective on December 1, 2002, your company may already be providing coverage for HCTC recipients.

Eligible individuals in Florida have the option to receive an advance monthly premium payment of the HCTC or to wait until they file a tax return to claim the credit. To enroll in the program, eligible individuals will have to call the HCTC Customer Center. A HCTC customer representative will verify an individual's eligibility and confirm health coverage. The eligible individual must submit 35 percent of the premium amount each month to a payment center. The payment center then adds the remaining 65 percent and sends the full payment to the designated health plan.

The IRS is responsible for administering the HCTC program in cooperation with the U. S. Department of Treasury, Department of Labor and the Department of Health and Human Services. For more information from the federal government about the HCTC Program, please call the HCTC Program Customer Contact Center's toll free phone number 1-866-628-HCTC. Program information is also available on the HCTC Program website: <http://www.irs.gov/individuals/index.html>, select Health Coverage Tax Credit (HCTC). You also may contact our Agency for Workforce Innovation's Call Center at 1-800-342-3450 to inquire about this and other workforce programs in Florida.

If you would like to submit a new plan or modify an existing plan to serve HCTC recipients, please contact the Office of Insurance Regulation at the following address and telephone number:

**Office of Insurance Regulation
Bureau of Life and Health Forms and Rates
200 East Gaines Street
Tallahassee, Florida 32399-0328**

**Telephone: (850) 413-5110
Fax: (850) 922-3866
Web: <http://www.fldfs.com>**

The Office of Insurance Regulation will promptly review any filing under the "state arrangement" category to ensure that it meets both the federal HCTC criteria and Florida's insurance laws.

Insurance providers will play a critical role in the success of this new and innovative health care program. We encourage your business to take full advantage of the benefits afforded to it through the federal HCTC initiative.

SP/KM/tmk

cc: Governor Jeb Bush
Lieutenant Governor Toni Jennings
Chief Financial Officer Tom Gallagher
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Ms. Kathleen Shanahan
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