

MCO TAX TRAILER BILL SUMMARY – AB 119

- Declares the intent of the Legislature that DHCS implement a managed care organization provider (MCO) tax effective April 1, 2023, to meet the following goals:
 - Generate an amount of nonfederal funds for Medi-Cal that is greater than the nonfederal funds generated by the tax imposed.
 - Comply with Medicaid requirements.
 - Provide funding to support the health care delivery system with an emphasis on the impact to Medi-Cal.
 - Minimize the need for any new reductions to Medi-Cal.
- Creates the Managed Care Enrollment Fund for the MCO tax revenues to be deposited into.
- Appropriates Managed Care Enrollment Funds deposited to DHCS to fund the following subcomponents of the Medi-Cal program.
 - Nonfederal share of increased capitation payments to the Medi-Cal managed care plans accounting for their projected tax obligation.
 - Nonfederal share of managed care rates for health care services furnished to children, adults, seniors and persons with disabilities, and those dually eligible for Medi-Cal and Medicare.
 - Transfers to the Medi-Cal Provider Payment Reserve Fund to support investments in the Medi-Cal program
- Requires DHCS to provide a report to all health plans accounting for funds deposited in and expended from the Managed Care Enrollment Fund.
- Abolishes the Health Care Services Special Fund from the State Treasury on December 31, 2022, and transfers any remaining money to the Managed Care Enrollment Fund.
- Requires a MCO tax to be imposed on full-service health plans, licensed by the Department of Managed Health Care or contracted with DHCS to provide services to Medi-Cal beneficiaries, for the following tax periods:
 - April 1, 2023 – December 31, 2023
 - 2024, 2025, and the 2026 calendar years
- Establishes tiers for each tax period based on the number of enrollees in each plan.
- Establishes a per enrollee tax for each tax tier.

	Medi-Cal Tier 1	Medi-Cal Tier 2	Medi-Cal Tier 3	Other Tier 1	Other Tier 2	Other Tier 3
Enrollment	Less than 1.2 million	1,250,001 - 4 million	More than 4 million	Less than 1.2 million	1,250,001 - 4 million	More than 4 million
2023-24	\$0	\$182.50	\$0	\$0	\$1.75	\$0
2024-25	\$0	\$182.50	\$0	\$0	\$1.75	\$0
2025-26	\$0	\$187.50	\$0	\$0	\$2.00	\$0
2026-27	\$0	\$192.50	\$0	\$0	\$2.25	\$0

- Allows DHCS to adjust the methodology, tax amount, taxing tier, or other provisions if necessary to meet the requirements of federal law or regulations, or to ensure federal financial participation is available. Requires DHCS to consult with affected plans to the extent practicable and to notify affected plans, the Department of Finance and specified legislative committees within 10 days of the modification/adjustment.
- Requires DHCS to request federal approval to implement the MCO tax.
- Deems this measure an urgency statute and would take effect immediately.