

Regulatory Analysis
Implementation of the Rhode Island Individual Health Insurance Mandate
280-RICR-20-55-15
August 4, 2020

Introduction

The Division of Taxation (Division) proposes to adopt a regulation regarding the implementation of the Rhode Island individual health insurance mandate. Pursuant to R.I. Gen. Laws § 42-35-2.9, the Division has conducted a regulatory analysis for the proposed regulation. This analysis estimates the benefits and costs that would result from the adoption of the proposed regulation.

Background

On July 5, 2019, Governor Gina Raimondo signed a bill enacted by the Rhode Island General Assembly which includes the provisions of an individual health insurance mandate (House Bill 5151, Article 11 - Relating to Healthcare Market Stability). The legislation created a requirement that, under R.I. Gen. Laws § 44-30-101, Rhode Island residents must maintain minimum essential health insurance coverage or otherwise be subject to a tax known as the “shared responsibility payment penalty”. Rhode Island residents are required to have minimum essential coverage beginning after December 31, 2019. If a resident does not have minimum essential coverage, the Division will assess the tax, unless an exemption applies and is claimed. The legislation also established a requirement that under R.I. Gen. Laws § 44-30-102, applicable entities, such as employers and health insurers, must make a report to the Division and the resident, indicating whether the individual, and any dependents, if applicable, has minimum essential coverage.

The purpose of 280-RICR-20-55-15 is to implement Rhode Island’s individual mandate laws as they relate to taxation. Specifically, the regulation establishes: the filing process for certification of health insurance; the procedure for claiming an exemption; the process for the shared responsibility penalty payment calculation; reporting requirements for applicable entities; clarity about protected health and taxpayer information; guidance about refunds and hearings; and enforcement for noncompliance.

Regulatory Development

When developing 280-RICR-20-55-15, the Division considered a range of alternatives to regulatory action, including existing Rhode Island statutes and regulations on related subject matter, and departmental experience. The Division determined that the rules set forth in proposed 280-RICR-20-55-15 will provide sufficient notice and transparency to interested stakeholders and the public.

Benefits and Costs

One benefit of proposed 280-RICR-20-55-15 is that it provides a transparent rulemaking process to interested stakeholders and the public. Regulation promulgation provides notice to the public of what rules are being proposed and allows for all interested parties to provide feedback to the Division. The Division will consider all comments from those who provide them and those comments, in turn, may or may not affect the regulation promulgation process. Although this benefit is non-quantifiable, it is significant because it ensures meaningful and timely public involvement in the rulemaking process.

Another benefit of proposed 280-RICR-20-55-15 is that it provides taxpayers with timely guidance on how the individual mandate statutes will be implemented for taxation purposes. Taxpayers should certify on their personal income tax return that they have minimum essential coverage. Moreover, the proposed regulation details the procedure for claiming an exemption; the process for the shared responsibility payment calculation; reporting requirements for applicable entities; treatment of protected health and taxpayer information; guidance about refunds and hearings; and enforcement for noncompliance. These rules are meant to clarify the tax treatment of the individual health insurance mandate so that taxpayers can prepare as needed in an expeditious manner.

Another benefit is that the regulation strengthens taxpayer confidence that the Division will take all reasonable steps to safeguard protected taxpayer information, including personally identifiable health information. The regulation states that no other agency or entity should share the protected health information of a taxpayer with the Division.

This regulation does not add any additional costs for taxpayers. Rather, it clarifies the process that is already outlined in current statutes.

Conclusion

The Division has reviewed a reasonable range of regulatory alternatives and has concluded that there is no alternative approach among the alternatives considered that would be as effective and less burdensome to the affected private persons as the proposed regulation (280-RICR-20-55-15). The proposed regulation follows a transparent process that provides all stakeholders with public notice and an opportunity to comment. The Division finds that the benefits of the proposed rule justify its costs. The proposed regulation will achieve the objectives of the State in a more cost-effective manner with greater net benefits than other regulatory alternatives. There are no other Rhode Island regulations that are overlapped or duplicated by proposed 280-RICR-20-55-15.