

COMPLIANCE ALERT

More NY Insurers Passing MCO Provider Tax Cost to Employers

July 31, 2025

Action Required:

- Sponsors of fully insured plans in New York should review how this tax may affect their organization.
- Your Corporate Synergies Account Manager can assist you with these updates.

Get more benefits compliance news & alerts:
[Compliance Resource Center](#)

On April 20, 2024, the state of New York enacted the [New York Managed Care Organization Provider Tax](#) ("MCO Tax") as part of its fiscal year (FY) [2025 Budget](#). As we originally noted in our March 3, 2025 news update on our [Compliance Resource Center](#), this MCO Tax on managed care organizations (MCOs), health maintenance organizations (HMOs) and other insurers in the state was designed to increase the state's Medicaid reimbursement from the Centers for Medicare and Medicaid Services (CMS). As part of the structure of the MCO Tax, after CMS reimburses the state of New York, New York then reimburses these insurers for the taxes assessed on Medicaid plans. For private, insured employer-sponsored plans, however, these insurers receive no federal or state reimbursement, and thus, face an additional cost—ranging from \$1.50 to \$13 per enrollee per month. To offset these costs, beginning in 2025, insurers have been assessing employers and plan sponsors of such plans with additional taxes. Earlier in 2025, there were only a few insurers communicating to plan sponsors that they would begin assessing this tax on their plans, but now, plan sponsors have been receiving letters from more carriers in the state, including Aetna, CIGNA, Empire Blue Cross Blue Shield, and Highmark, each explaining that this cost will now be passed on to them.

What Should New York Employers and Plan Sponsors Do Next?

As the impacts of the OBBBA and the CMS Proposed Rule are not yet fully understood as they pertain to New York's MCO Tax, it will be important for sponsors of fully insured plans in New York to stay tuned to these regulatory developments and to be flexible in order to adjust to any further CMS or New York guidance. This development underscores the importance of proactive planning and strategic benefits management. If you haven't already reviewed how this tax may affect your organization, now is the time. While the future of this tax is uncertain, the tax remains unchanged for the moment. Our CSG Compliance and Account Management Teams are ready to work with you to identify any additional impacts to your insured benefit plans and programs. ■

↓ **Full Explanation Follows** ↓

More NY Insurers Passing MCO Provider Tax Cost to Employers

On April 20, 2024, the state of New York enacted the [New York Managed Care Organization Provider Tax](#) (“MCO Tax”) as part of its fiscal year (FY) [2025 Budget](#). As we originally noted in our March 3, 2025 news update on our [Compliance Resource Center](#), this MCO Tax on managed care organizations (MCOs), health maintenance organizations (HMOs) and other insurers in the state was designed to increase the state’s Medicaid reimbursement from the Centers for Medicare and Medicaid Services (CMS). As part of the structure of the MCO Tax, after CMS reimburses the state of New York, New York then reimburses these insurers for the taxes assessed on Medicaid plans. For private, insured employer-sponsored plans, however, these insurers receive no federal or state reimbursement, and thus, face an additional cost—ranging from \$1.50 to \$13 per enrollee per month. To offset these costs, beginning in 2025, insurers have been assessing employers and plan sponsors of such plans with additional taxes.

What Happened?

The MCO Tax is now beginning to have a broader impact on private employer-sponsored health plans. We are now seeing more New York insurers passing these costs directly to employers and plan sponsors of private, fully insured plans, resulting in higher premium rates for such plans across the state. Earlier in 2025, there were only a few insurers communicating to plan sponsors that they would begin assessing this tax on their plans, but now, plan sponsors have been receiving letters from more carriers in the state, including Aetna, CIGNA, Empire Blue Cross Blue Shield, and Highmark, each explaining that this cost will now be passed on to them.

How Does The One Big Beautiful Bill Act Impact the NY MCO Provider Tax?

[The One Big Beautiful Bill Act](#) (OBBBA), enacted on July 4, 2025 (see our e-Alert [here](#)), introduced new federal scrutiny over MCO taxes like the New York MCO Tax. More specifically, the OBBBA could prohibit states like New York from using such MCO taxes under new standards that focus on the redistributive nature of these taxes.

As background, existing federal law requires that MCO taxes (like New York’s MCO Tax), be uniform and broad based, meaning that they must be applied uniformly to all MCOs in the state, not just Medicaid MCOs. States can, however, apply to the Centers for Medicare & Medicaid Services (CMS) for a waiver of that requirement if the state can prove that the net impact of the tax is “generally redistributive,” and that the tax amount is not directly correlated to Medicaid payments. New York is one of seven states that obtained a waiver from CMS that allowed it to implement an MCO tax. In its approval letter to New York (and California), CMS indicated that it would introduce new regulatory requirements to test whether a tax would be “generally redistributive.”

The OBBBA implements such a test, and in this test, it uses more restrictive standards for determining whether the state’s MCO tax will be considered “generally redistributive”—the key requirement to obtain federal approval. If New York’s MCO Tax’s structure fails this new federal test implemented by the OBBBA, it could jeopardize over \$3.7 billion in projected state savings and the broader financial structure that supports the state’s Medicaid funding.

CMS also recently issued a [proposed regulation](#) (“Proposed Rule”) that makes similar changes to MCO taxes in relation to the generally redistributive test. However, the OBBBA has a different transition period for states to adopt changes. The OBBBA allows CMS to provide a transition period not to exceed three fiscal years, whereas the Proposed Rule would only provide a transition period to states whose waivers were approved more than two years before the final rule’s effective date. States such as New York, who obtained their waivers within the last two years, would not fall under the transition period in the Proposed Rule. As of the time of this writing, it remains to be seen how CMS finalizes the Proposed Rule, and how the transition period will apply in light of these changes made by the OBBBA.

What Should New York Employers and Plan Sponsors Do Next?

As the impacts of the OBBBA and the CMS Proposed Rule are not yet fully understood as they pertain to New York’s MCO Tax, it will be important for sponsors of fully insured plans in New York to stay tuned to these regulatory developments and to be flexible in order to adjust to any further CMS or New York guidance. This development underscores the importance of proactive planning and strategic benefits management. If you haven’t already reviewed how this tax may affect your organization, now is the time. While the future of this tax is uncertain, the tax remains unchanged for the moment. Our CSG Compliance and Account Management Teams are ready to work with you to identify any additional impacts to your insured benefit plans and programs. ■

**If you have any additional questions,
please call your Corporate Synergies
Account Manager or 866.CSG.1719.**