NEW YORK STATE MANAGED CARE ORGANIZATION (MCO) PROVIDER TAX

Introduction

The New York Managed Care Organization (MCO) tax is a state-mandated tax on managed care plans that went into effect on January 1, 2025.

This tax will help fund the state's Medicaid program and secure additional federal matching funds.

The tax is calculated as a per-member-per-month rate and applies to various types of commercial, individual, and managed Medicaid plans. This tax does not include Medicaid, Child Health Plus, or Essential Plan members.

Version 2–September 22, 2025

Aetna

We want to inform you about a new tax affecting fully insured health plans in New York. The Fiscal Year 2026 New York State Budget has introduced a Managed Care Organization (MCO) Provider tax, which is retroactive to January 1st, 2025. This is a state-mandated tax charged per member, per month (PMPM) and applies to most commercial plans. Its purpose is to help the state obtain more federal Medicaid funding.

Aetna must make payments quarterly based on its aggregated fully insured NY situs enrolled membership. Thereafter, Aetna plans to proportionately bill you for your plan-specific enrollment.

For all NY-sitused plans in effect January 1st, 2025, Aetna will retroactively bill you. The tax will account for an additional weighted average of $1.65 PMPM, functioning as a progressive tax. Invoices will reflect the tax as new line-item. Please note that this approach is subject to regulatory approval which we expect to receive soon.

While we do not currently have the specific date(s) on which you will receive the invoice with the tax incorporated, we will be sure to inform you of these details as soon as they become available.

More to come.

Cigna

NY MCO Provider Tax Assessment:
New York State implemented a Managed Care Organization (MCO) tax assessment, retroactive to January 1, 2025, affecting fully insured medical policies issued in or governed by state law.

For clients with active fully insured coverage as of July 29, 2025, Cigna Healthcare will absorb the 2025 cost.

Future assessments will be included in quoted rates starting July 30, 2025. The recovery rate for the MCO tax assessment is $1.54 Per Member Per Month (PMPM), based on prior-year membership data.

New York MCO tax update-What brokers need to know:

As you may know, New York State has enacted a new Managed Care Organization (MCO) tax, effective January 1, 2025. This state-imposed assessment applies across several markets, including Medicaid, Essential Plan, and commercial health plans issued in New York or subject to New York law.

The MCO tax is designed to help New York secure additional federal funding for its Medicaid program. While this public funding mechanism supports state health initiatives, it also introduces added costs and administrative tasks for carriers, employers, and brokers.

Cigna

What's changing?

- The tax will be embedded in a per member per month (PMPM) rate that varies by group size.
- Until the tax is embedded in the PMPM rate, premiums for impacted groups will reflect the tax — retroactively to January 1, 2025, then monthly going forward.
- The NY Department of Financial Services (DFS) has authorized a rolling window for updated rate filings.

Important notes:

- Because this is a state-mandate, all insurers operating in New York are required to comply.
- This tax cannot be passed through to Medicaid, CHPlus, or Essential Plan members directly.
- Large Group clients will see adjusted rates either at renewal or mid-year, based on timing.
- Small group and individual rate adjustments are subject to DFS approval on a prospective basis.
- This increase is not tied to medical cost trends but rather stems from a regulatory policy change.

We'll continue to keep you informed as details evolve. If you need help explaining these regulatory changes to clients or would like additional resources, your account team is here to support you.

Anthem

New York State has enacted a new Managed Care Organization (MCO) tax, which will take effect on January 1, 2025. This state-imposed assessment affects several markets, including Medicaid, Essential Plan, and commercial health plans issued in or subject to New York law.

The purpose of the MCO tax is to help New York secure additional federal funding for its Medicaid program. While this public funding mechanism aids state health initiatives, it also introduces additional costs and administrative obligations for carriers, employers, and brokers.

Communication Timeline:

- July 9, 2025: Official communication to brokers outlining the details of the MCO tax.
- July 10, 2025: Distribution of letters sent to impacted groups.

What's changing?

- The tax will be embedded in a per member per month (PMPM) rate that varies by group size.
- While transitioning to this embedded rate, premiums for impacted groups will reflect the tax retroactively to January 1, 2025, and then monthly going forward.
- The NY Department of Financial Services (DFS) has approved a rolling window for updated rate filings.

Important notes:

- This state mandate requires compliance from all insurers operating in New York.
- The tax cannot be directly passed to Medicaid, CHPlus, or Essential Plan members.
- Large Group clients will see adjusted rates at renewal or mid-year, depending on timing.
- Adjustments for small group and individual rates are subject to DFS approval prospectively.
- Please note that this increase is due to a regulatory policy change, not medical cost trends.

Anthem

We will continue to keep you informed as more details become available. If you need help explaining these regulatory changes to clients or require additional resources, please do not hesitate to reach out to your Anthem representative.

EmblemHealth

As you know, the new managed care organization (MCO) provider tax is retroactively in effect as of Jan. 1, 2025. This tax affects Essential Plan, Medicaid, Child Health Plus, and commercial fully insured comprehensive health plans issued in New York.

We put together this helpful MCO tax FAQ to answer any questions you may have.

Please feel free to contact your EmblemHealth representative if you need further information.

UnitedHealthcare

NY MCO tax impact on UnitedHealthcare and Oxford clients
New York's Managed Care Organization (MCO) tax, effective January 1, 2025, applies to providers of fully insured Commercial, Essential Plan, and Medicaid managed care plans in the state. The new tax seeks to increase federal Medicaid revenue to the state through increased matching funds from Centers for Medicare & Medicaid Services (CMS) for the taxes charged to these health plans.

What this means for UnitedHealthcare and Oxford clients
In compliance with the law, we will be paying the MCO tax based on individual UnitedHealthcare and Oxford plan enrollee counts each month. The per member per month (PMPM) amount is assessed on a calendar year basis and varies by plan type.

The tax will be accounted for in our rates, as approved by the New York Department of Financial Services, for impacted new and renewing groups beginning with December 1, 2025 effective and renewal dates. There will be no retroactive charges, and the tax will not be a line item on monthly premium invoices since it is included in our pricing methodology.

The implementation timelines and range of costs for the new tax are as follows:

- $25 - $126 PMPM for Medicaid plans, effective beginning January 1, 2026
- $7 - $13 PMPM for Essential plans, effective beginning January 1, 2026; no impact to member level premium payments; cost will be mostly covered by the federal government
- $1.50 - $2 PMPM for all other fully insured Commercial plans, effective beginning December 1, 2025 for large groups (101+) and January 1, 2026 for small groups (1-100) since 2025 small group rates were finalized in 2024

UnitedHealthcare

UnitedHealthcare and Oxford self-funded and level funded plans are exempt from the MCO tax.

Action required

Please keep your New York UnitedHealthcare and Oxford clients informed about the MCO tax and how it is being accounted for in our rating methodology. You are welcome to use this sample communication to facilitate outreach.

More information

Should there be further developments regarding the state-mandated tax and how it might impact your UnitedHealthcare and Oxford clients' premiums, we will issue an updated communication. In the meantime, please contact your sales representative with questions.

Our Compliance Team

For questions about this playbook or any compliance-related concerns, please reach out to any of these individuals.

Heather Reynolds
Chief Compliance Officer

hreynolds@fnainsurance.com
516-348-7199

Michael Bivona
Compliance Paralegal

michaelb@fnainsurance.com
516-348-7135

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