

HEALTH CARE REFORM: CADILLAC TAX AND OTHER ACA TAXES DELAYED UNDER 2018 SPENDING BILL

On January 22, 2018, Congress passed and President Trump signed into law a short-term spending bill to fund the federal government through February 8, 2018. As part of the spending bill, three Affordable Care Act (ACA) taxes have been delayed or suspended. The Cadillac Tax is delayed for two years with the tax now taking effect January 1, 2022. The Medical Device Tax is suspended for two years and the Health Insurance Providers Fee (i.e., the Health Insurance Tax) is suspended one year.

CADILLAC TAX

The Cadillac Tax is a 40 percent excise tax on high-cost employer health plans and it will apply to the aggregate cost of health care benefits over certain dollar thresholds (initially set at \$10,200 for self-only coverage and \$27,500 for family coverage). The tax applies to fully insured and self-funded plans for both active employees and retirees. The aggregate cost of benefits will include the core medical benefits, prescription drugs, and “carve-out” plans such as behavioral health, employee assistance programs, and chiropractic. The cost will be based on employer contributions and employee contributions, including contributions to Health Flexible Spending Accounts, Health Reimbursement Accounts and Health Savings Accounts.

The Cadillac Tax was originally set to take effect starting in 2018 but was delayed until 2020 under the Consolidated Appropriations Act of 2016. The short-term spending bill just signed into law by President Trump delays the effective date of the Cadillac Tax an additional two years to January 1, 2022.

HEALTH INSURANCE PROVIDERS FEE

The ACA imposes a fee on “covered entities” to help fund subsidies available through the Exchanges. In general, “covered entities” include health insurance issuers but exclude employers offering self-insured coverage. The Consolidated Appropriations Act of 2016 suspended the fee for 2017 but it went back into effect on January 1, 2018. Under the short-term spending bill, the fee is suspended for 2019.

MEDICAL DEVICE TAX

The ACA imposes a 2.3 percent excise tax on the sale of certain medical devices that is paid by the manufacturer or importer of the device. The Consolidated Appropriations Act of 2016 suspended the fee for 2016 and 2017. It was set to go back into effect on January 1, 2018 but, under the short-term spending bill, the fee is suspended an additional two years until January 1, 2020.

Please contact your Keenan HealthCare Account Manager for questions regarding this *Briefing* or if you require any additional information.

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