MARSH & McLENNAN AGENCY

REFORM UPDATE

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STOPGAP FUNDING BILL

On January 22, 2018, President Donald Trump signed into law a stopgap government funding bill, ending the brief government shutdown. The funding bill contained the following provisions, which may affect employer-sponsored health plans:

- Cadillac Tax delayed for two years, slated to go into effect in 2022
- Medical device tax delayed for two years, slated to go into effect January 1, 2020
- Moratorium on the health insurer fee for 2019
- Funding extended on the Children's Health Insurance Program (CHIP) for six more years

This *Reform Update* summarizes these aspects of the funding bill.

DELAY OF THE CADILLAC TAX

The Affordable Care Act (ACA) includes an Excise Tax on High Cost Health Plans, commonly referred to as the "Cadillac Tax." Group health plans will be assessed a 40 percent tax on the value of plans exceeding thresholds of $10,200 for self-only coverage and $27,500 for other than self-only coverage. These thresholds are indexed annually, so they will be higher in 2022.

The Cadillac Tax was originally expected to take effect in 2013. However, it has been delayed a number of times by different pieces of legislation. As of today, employers can expect this tax to apply beginning January 1, 2022. The IRS has yet to release official guidance on how this tax will be calculated and assessed.

DELAY OF THE MEDICAL DEVICE TAX

The ACA imposed a 2.3 percent excise tax on the sales of certain medical devices, beginning in 2013. Generally, the medical device manufacturer would be responsible for reporting and paying this fee to the IRS. In 2016, the federal budget deal suspended collection of the medical device tax for two years (2016 and 2017), meaning the tax would not apply to sales made between January 1, 2016 and December 31, 2017.

This bill suspends the medical device tax for another two years (2018 and 2019), which means the tax will not go into effect before January 1, 2020.

MORATORIUM ON THE HEALTH INSURER FEE FOR 2019

Beginning in 2014, the ACA imposed an annual, non-deductible fee on health insurance providers, allocated across the industry according to market share. The fee is roughly 2.6 percent of the insured premium.

The 2016 federal budget deal imposed a moratorium on the collection of this fee in 2017. Health insurers added the tax back into insured group health plan premiums in 2018.

In 2019, expect your group health plan rates not to include the health insurer fee.

EXTENSION OF CHIP FUNDING

CHIP is a government-funded health insurance program that provides low-cost health coverage to children in low-income families that do not qualify for Medicaid. The federal government assists states by matching state funding for this program, up to a certain percentage. Federal funding for CHIP expired on September 30, 2017. In December 2017, Congress approved a $2.85 billion allocation for funding CHIP programs, but that money would have only funded CHIP in most states until February 1, 2018.

The bill extends federal funding for CHIP for an additional six years, through 2023. This is good news for employers with low-income employees whose children are covered by CHIP.