INFORMED ON REFORM

HEALTH CARE REFORM ALERT

Alerting you on official legislative, regulatory or executive action

January 23, 2018

"Cadillac Tax" and Health Insurance Industry Fee Delayed in Spending Bill

On Jan. 22, President Trump signed into law a short-term spending bill (called a Continuing Resolution or "CR") to reopen and fund the federal government for three weeks (through Feb. 8, 2018) after it was passed by both chambers of Congress earlier in the day. Attached to the bill are delays or suspensions of three taxes under the Affordable Care Act (ACA) and a six-year extension of the Children's Health Insurance Program (CHIP).

The 40% Excise Tax or "Cadillac Tax" implementation is delayed two additional years, with a new effective date of Jan. 1, 2022. The Health Insurance Industry Fee is suspended for one year (2019) and the Medical Device Tax is suspended for two years (2018-2019).

Cadillac Tax

The Cadillac Tax imposes a 40% excise tax on coverage in excess of certain thresholds. When originally enacted with a 2018 effective date, the thresholds were $10,200 for self-only and $27,500 for family coverage. The tax has since been delayed twice (including this delay), and the thresholds will be updated prior to the new Jan. 1, 2022 effective date.

Many employers, unions, insurers and industry groups have opposed the tax based on concerns around administrative and financial burdens for employers and adverse outcomes for employees. Cigna is a founding member and on the executive committee of The Alliance to Fight the 40, a coalition of public and private sector stakeholders that seeks a full repeal of the Cadillac Tax. To learn more about these efforts, visit www.fightthe40.com.

Health Insurance Industry Fee (a.k.a. Health Insurer Tax)

The short-term spending bill also suspends the Health Insurance Industry Fee for 2019. This fee began in 2014 and only affects insured health plans. It was previously suspended for 2017, but went back into effect on Jan. 1, 2018.

Medical Device Tax

Previously suspended for 2016 and 2017, the 2.3% excise tax on U.S. medical device revenues also restarted on Jan. 1, but will now remain suspended for two years through the end of 2019.

We encourage you to bookmark Cigna's health care reform website, www.InformedonReform.com, where we continuously update information as it becomes available.

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