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Congress Delays Cadillac Tax and Extends CHIP

President Trump has signed a short-term spending bill that will fund the government through Feb. 8, 2018. The bill, which ends the federal government "shutdown," includes a two-year delay of the "Cadillac tax" on employer-sponsored health coverage as well as a six-year extension of Children's Health Insurance Program.

Background

Last night the president [signed](#) a short-term continuing resolution (spending bill) that will fund the government through Feb. 8, 2018. The bill includes a two-year delay of the "Cadillac tax" on employer-sponsored health coverage, a temporary suspension of two other ACA taxes, and a six-year extension of the Children's Health Insurance Program (CHIP).



ACA Taxes

The continuing resolution (CR) contains some provisions that will affect employer-sponsored group health plans and are good news for employers:

- A two-year delay of the "Cadillac tax" (the 40% excise tax on high-cost employer-sponsored group health plans). The tax was previously delayed from 2018 to 2020 and now will be effective in 2022.

Comment. The IRS has not yet issued regulations on this tax. With another delay, it's unlikely the IRS will issue regulations soon. But unless and until the tax is revoked, employers should keep an eye on their plan designs with this tax in mind.

- A one-year suspension of the tax on health insurers. The tax is in effect for 2018, but suspended for 2019. The tax had previously been suspended for 2017.

Comment. The health insurer tax was not suspended for 2018 because insurance rates for 2018 already include the tax, and to suspend the tax now would be a windfall for insurers unless they were required to refund the tax to policyholders.

- A two-year suspension of the medical device tax (for 2018 and 2019). This tax had previously been suspended for 2016 and 2017.

Children’s Health Insurance Program

CHIP provides health coverage to eligible children (and, in some states, pregnant women) through both Medicaid and separate CHIP programs. The CR establishes a six-year reauthorization of CHIP.

Comment. This six-year commitment to CHIP could have an impact on employers, especially those with low-wage work forces. For example, lack of health coverage for children of low-wage workers can increase stress and negatively affect productivity. The commitment to the program should ease those concerns. Also, the extension could reduce the risk of exposure to the ACA shared responsibility assessment for employers of low-wage workers in states where CHIP coverage is provided to pregnant women. The administrative burden on employers and group health plans, including notification and changes of elections, will continue for the next six years.

In Closing

The changes in this bill are good news for employers. Budget talks on Capitol Hill will continue for the next three weeks. It’s possible Congress will address other employer concerns, including the stabilization of the ACA marketplaces.

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