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Cadillac tax repealed

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Authors
Richard Stover, FSA, MAAA
Leslye Laderman, JD, LLM

Legislation passed by the House and the Senate this week repeals several ACA taxes including the Cadillac tax. However, the legislation also extends the PCORI fee for an additional 10 years.

Background

The Affordable Care Act (ACA) including several new taxes that were intended to help fund the ACA. Probably the most significant of those taxes was the commonly called “Cadillac tax” on high-cost, employer-sponsored health plans. Originally scheduled to take effect in 2018, the Cadillac tax was deferred twice, most recently to 2022. Employers have been lobbying for the complete repeal of the Cadillac tax since it was originally enacted.

Taxes repealed

In a year-end government funding package that is expected to be signed by President Trump today, the Cadillac tax has now been repealed. In addition, the legislation repeals two other ACA taxes:

- The health insurance tax that applies to insured health plans, effective for calendar years beginning after 2020
- The medical device tax for sales after December 31, 2019

PCORI fee extended

The ACA requires sponsors of self-insured health plans and health insurers to pay a fee to help fund the Patient-Centered Outcomes Research Institute (PCORI). PCORI conducts research to evaluate and compare the health outcomes and clinical effectiveness, risks, and benefits of medical treatments, services, procedures, and drugs. Under the original law, the final PCORI payment for sponsors of calendar year plans (for the 2018 plan year) was due July 31, 2019. The new legislation extends this fee for an additional 10 years.

Buck comment. While guidance is needed from the IRS on the process and the amount of the fee, it appears that employers with self-funded calendar year health plans will be required to make a payment for the 2019 calendar year by July 31, 2020. Since insurers did not include the PCORI fee in insured premium rates for calendar year plans for 2019, IRS guidance may be needed in this area as well.

In closing

Employers no longer need to be concerned with the Cadillac tax looming when developing their health benefit strategies. But they should watch for guidance on the extended PCORI fee.