



COMPLIANCE ALERT



» 12/20/19 | 2019-10

Government Funding Bill Repeals Cadillac Tax and Insurers' Fee but Extends PCORI 10-Years

Introduction

On December 20, 2019, President Trump will sign the Further Consolidated Appropriations Act of 2020 (HR 1865), a funding bill covering the remainder of the 2020 fiscal year. **The Act includes a complete and permanent repeal of the Affordable Care Act's (ACA) "Cadillac Tax," the Insurers' Fee, and the medical device manufacturers' tax. It also includes a 10-year extension of the Patient-Centered Outreach Research Institute (PCORI) fee.**

Significant Repeals

The Cadillac Tax imposed a 40% excise tax on health plan coverage with values that exceeded certain thresholds: \$10,200/\$27,500 for self-only and family coverage, respectively. It was originally scheduled to take effect in 2018, but in late 2015 was delayed until 2020 and in early 2018 it was delayed again until 2022. The Cadillac Tax was intended to address excessively "rich" plans but given the rate of medical inflation it had become commonly understood to impact more modest plan designs. The Tax was almost uniformly unpopular, the target of significant lobbying, and faced bipartisan opposition. The repeal of the Cadillac Tax is welcome news for employer plan sponsors.

The Insurers' Fee was an annual fixed fee amount allocated among all "covered entities" (e.g., insurance carriers) in proportion to their relative market share. It was passed on to employer plan sponsors of insured plans by carriers and could account for ~2-3% of a group's total premium. Past funding measures enacted 2 separate one year moratoriums on the fee: (1) the payment due for the 2017 calendar year (based on 2016 data), and (2) the payment due for 2019 (as based on 2018 data). The fee resumes and is payable again in 2020 but will be permanently repealed in **2021**.

Lastly, the funding bill also repeals the ACA's 2.3% excise tax on the price of taxable medical devices sold in the United States. The tax had been suspended since 2016 but the current moratorium was scheduled to expire at the end of 2019.

PCORI Fee Extension

The PCORI Fee is a per covered life fee paid by certain health insurers and sponsors of self-funded health plans to fund the Patient-Centered Outcomes Research Institute. The fee was originally \$2 (indexed in subsequent years) times the average number of covered lives for policy or plan years ending after September 30, 2012 and was scheduled to sunset with plan years ending after September 30, 2019. The funding bill extends the sunset date to plan or policy years ending after September 30, 2029. For practical purposes the fee applied to plan years beginning November 1, 2011 through October 1, 2018 and is now extended to plan years beginning through October 1, 2028 (ending 9/30/29). The PCORI fee is paid via Form 720, the employer's quarterly tax return, by July 31 of each year.

Compliance Alert is presented by the Compliance Practice Group of Alliant Employee Benefits

CA License No. 0C36861

© 2019 Alliant Employee Benefits, a division of Alliant Insurance Services, Inc. All rights reserved.

Disclaimer: This material is provided for informational purposes only based on our understanding of applicable guidance in effect at the time and without any express or implied warranty as to its accuracy or any responsibility to provide updates based on subsequent developments. This material should not be construed as legal or tax advice or as establishing a privileged attorney-client relationship. Clients should consult with and rely on their own independent legal, tax, and other advisors regarding their particular situations before taking action. These materials and related content are also proprietary and cannot be further used, disclosed or disseminated without express permission.