



Health Care Reform Update



IMPORTANT NOTICE REGARDING HEALTHCARE REFORM Update #55 December, 2015

Omnibus Budget Bill Creates Delays in ACA Taxes

Congress has passed a \$1.1 trillion omnibus spending bill and a \$650 million tax break package that will fund the federal government until September 30, 2016. The measure includes delaying implementation of the "Cadillac" tax for two years, which was scheduled to go into effect in 2018. It also freezes the medical-device tax that began in 2013 for two years, delays the annual tax on health insurers by one year and requires the exchange risk corridor program to remain budget neutral. The legislation will now be sent to President Obama for signature. It has been reported that the President supports the legislation and is expected to sign it.

Delay of the Excise "Cadillac" Tax,

The legislation will delay the 40% excise tax on high-cost group health until 2020, two years later than the original ACA regulations. Even though the excise tax will not apply in 2018 and 2019, the dollar thresholds associated with it will index in those years. In addition, the omnibus legislation makes the excise a tax deductible tax and it also calls for a study to determine whether the Blue Cross Blue Shield standard option for federal employees is the proper benchmark for determining the age and gender adjustments to the excise tax thresholds.

Delay of the Annual Tax on Health Insurers

Under the original health care reform regulations, an annual fee applies to any insurer engaged in the business of providing health insurance with respect to a United States health risk. Under the omnibus bill passed, this fee will be tabled for 2016. This fee has typically been charged back to plan holders in the form of higher premiums. This is a win for consumers and insurance carriers alike.

Risk Corridors are to Remain Budget Neutral

The omnibus bill includes language to keep this provision budget neutral for 2016. The risk-corridor program requires insurers in the exchanges to pay the federal government if their revenues on exchange plans exceed their spending on those plans by a certain percentage and entitles them to be paid by the federal government if the opposite happens and they experience losses beyond a certain percentage. Keeping this provision budget neutral could mean hefty shortfalls for insurers.

The Medical-Device Tax will be Frozen for Two Years

The omnibus bill suspends the 2.3% medical-device tax that began in 2013 for two years. The medical device tax was to be levied on medical device manufacturers and importers as a provision of the Affordable Care Act. The tax was projected to raise \$29 billion over 10 years.

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