

HEALTH ISSUES

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* Correction *

Congress to Repeal Three Health Care Taxes

The U.S. Senate passed an omnibus [bill](#) Thursday in the form of Senate Amendment to H.R. 1865, *Further Consolidated Appropriations Act, 2020*, to fund the federal government through fiscal year 2020. This includes a repeal of an excise tax on high-cost employer-sponsored health coverage (also known as the Cadillac tax), the medical device excise tax, and the health insurance providers fee (also known as the health insurance tax). Although the Cadillac tax has been twice delayed, it was scheduled to go into effect in 2022. The medical device excise tax was scheduled to expire on Dec. 31, 2019. The health insurance providers fee had a moratorium placed on it during 2019, will go back into effect in 2020, and will be eliminated permanently beginning in 2021.

Originally established under the Affordable Care Act (ACA), the three taxes were meant to, in part, fund the ACA. While the Cadillac tax placed a surcharge of 40 percent on premiums for high-cost, employer-sponsored health insurance plans, the medical device tax placed a 2.3 percent excise tax on the value of medical devices sold domestically, and the health insurance tax imposed an annual fee on health insurance providers based on premiums and a payer's market share.

Prior Congressional Budget Office (CBO) and the Internal Revenue Service (IRS) analyses suggest the effects of repealing the three taxes:

- CBO estimated that a Cadillac tax repeal would increase the [deficit](#) approximately \$200 billion over a 10-year period;
- In 2015, CBO estimated that the repeal of the tax on medical devices would increase the [deficit](#) approximately \$25 billion over 10 years; and
- The [IRS estimated](#) that the health insurance tax will produce approximately \$15.5 billion in revenues in 2020.

The legislation also contains a number of additional health care-related provisions, including two years of Medicaid funding for Puerto Rico, allowing generic pharmaceutical companies to obtain drug samples from brand-named patents (also known as the [CREATES Act](#)), preventing the Department of Health and Human Services from ending "silver loading" and auto-enrollment with the ACA, and designating funding for the Patient-Centered Outcomes Research Institute. Furthermore, tobacco sales will now be restricted to those age 21 and over.

The legislation, which was passed by the U.S. House of Representatives on Dec. 17, is now under consideration by the president for his signature. The funding of the federal government now extends through Sept. 30, 2020.

If you have any questions regarding this *Academy Alert*, please contact David Linn, senior policy analyst (linn@actuary.org, 202-785-6931).