

# CONSOLIDATED APPROPRIATIONS ACT 2016 - Impact to Employer Health Plans



**On December 18th President Obama signed into law a nearly \$2 trillion budget deal on government funding and taxes through an omnibus bill. This bill provides funding to the federal government through September 30, 2016. In addition to funding the federal government, the bill includes a number of provisions that will impact employer sponsored health coverage, including key provisions that delays implementation of the Cadillac Tax for an additional two years and temporarily eliminates the Health Insurer Fee.**

The two key components of this bill affecting employers who offer employer sponsored health coverage are as follows:

## **A two-year delay of the Cadillac Tax for high-cost employer sponsored health care.**

The Cadillac Tax is a non-deductible 40% excise tax, included as part of the Affordable Care Act (“ACA”) that applies to the cost of employer-sponsored health coverage that exceeds the prescribed thresholds of \$10,200 for self-only coverage and \$27,500 for other than self-only coverage. These thresholds were first established in 2010 and were slated for implementation in 2018.

Under this newly signed bill, the tax which was previously to be effective on January 1, 2018, is postponed until January 1, 2020. In addition to the delay of the tax, any amounts paid by employers under this tax will now become tax deductible. This will likely reduce the cost burden on any employers having to paying the tax. This is ultimately of perhaps greater importance than the delay given the likelihood that over time, more and more employers will become subject to the tax.

Finally, the omnibus bill requires the commission of a study by the Comptroller General of the United States, in consultation with the National Association of Insurance Commissioners, to determine (a) the suitability of the use of the premium cost of the Blue Cross/ Blue Shield standard benefit option under the Federal Employees Health Benefits Plan as a benchmark for the age and gender adjustment of the applicable dollar limit with respect to the excise tax on high cost employer-sponsored health coverage, and (2) recommendations regarding any more suitable benchmarks for such age and gender adjustment. Depending on the outcome of this study, this could potentially lead

to further adjustments to the Cadillac Tax thresholds.

## **Eliminating the Health Insurer Fee for 2017.**

The health insurer fee, which began in 2014, is a fee charged to health insurance carriers based on the insurance premiums they collect. The annual fee from all carriers was \$8.0 billion in 2014 and \$11.3 billion in 2015 and 2016. The scheduled fee of \$13.9 billion for 2017 has been eliminated by this omnibus bill.

However it is important to keep in mind that, although this was eliminated for 2017, this fee has not been completely abolished and unless additional action is taken, the fee will be go back into effect in 2018. Since this fee is charged to health insurance carriers rather than employers, it hasn't received as much attention as the Cadillac Tax. The carriers paying this fee though regularly pass along these costs to employers, and ultimately employees in the form of higher premiums. This elimination for 2017 may potentially result in lower premiums for some; however this would up to individual carriers to pass along these cost savings. Finally, because this was not permanently abolished, as it currently stands, any potential costs savings are likely only temporary.

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