



ACA Health Insurance Tax Will Boost 2018 Insured Plan Rates

The health insurance tax (HIT), a tax embedded in the Affordable Care Act (ACA), is returning in 2018 after a one-year [moratorium](#). The HIT is imposed on insurance companies that offer fully insured plans who in turn then pass along the tax to their fully insured group clients by way of higher premiums. The HIT does not apply to self-funded plans. According to a [report](#) issued by the actuarial firm Oliver Wyman, for 2018 the HIT will be reinstated at a higher annual level of \$14.3 billion to be collected as compared with \$13.9 billion that would have been collected in 2017 had Congress not approved the one-year moratorium.

According to Wyman, the HIT is likely to push premium rates up 2.7% in 2018 for insured plans. Said differently, if the HIT was not re-instated as a tax under the ACA, fully insured plans would have had rate increases 2.7% below what they will pay in 2018. Below is a chart that illustrates the high and low percentage of the expected HIT percent tax between 2018 and 2027. Note that as fewer employers and plan sponsors remain “fully insured”, there will be fewer groups paying the HIT. This impact is not reflected in the chart below. As a result of this phenomena, in order to collect the targeted tax revenue from the HIT intended to pay for other aspects of the ACA, the annual percentage may need to be increased every year. Unlike other taxes embedded in the ACA, the HIT does not ultimately sunset.

Expected HIT Percent Tax Passed Along to Insured Group Plans		
	Percent Increase	
	Low	High
2018	2.7%	2.7%
2019	2.7%	2.8%
2020	2.7%	2.8%
2021	2.6%	2.8%
2022	2.6%	2.8%
2023	2.6%	2.8%
2024	2.6%	2.8%
2025	2.6%	2.8%
2026	2.6%	2.8%
2027	2.6%	2.8%

SOURCE: “Analysis of the Impacts of the ACA’s Tax on Health Insurance in 2018 and Beyond,” Oliver Wyman

The existence of the HIT is one of the driving forces behind why employers of smaller and smaller sizes are moving to self-funded platforms. Absent the elimination of the ACA or specific changes designed to address the HIT, this tax will remain in effect for insured medical plans.

Please contact your Conner Strong & Buckelew account representative toll free at 1-877-861-3220 with any questions.



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