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Cadillac Tax Delay and Health Insurer Fee Suspension

The President has signed a bill that funds the government through 2016 and impacts a variety of legislative and public policy items. Described below are the primary aspects of the law that specifically impact employer-sponsored healthcare under the Affordable Care Act (ACA). The new law delays the ACA's excise ("Cadillac") tax to the 2020 tax year, suspends the 2.3% medical device tax for 2016 and 2017, and suspends the health insurer tax for 2017.

Cadillac Tax Delayed Until 2020. Under prior law, for tax years beginning after December 31, 2017, the Cadillac tax required that plan sponsors and insurers pay a 40% excise tax on the excess cost of employer-sponsored health coverage over \$10,200 for employee-only and \$27,500 for family coverage, adjusted for inflation annually. Plans providing this "high-cost" coverage are often referred to as "Cadillac plans," and the related tax is referred to as the "Cadillac tax." This Cadillac tax is now effective for tax years beginning after December 31, 2019. Thus, the Cadillac tax won't be imposed until 2020. Any Cadillac tax payments will also now be "deductible" for businesses.

Health Insurance Provider Fee Suspended for 2017. Under prior law, the ACA imposed an annual fee on each covered entity engaged in the business of providing health insurance with respect to US health risks, effective for all calendar years beginning after 2013. The fee is now suspended for the 2017 calendar year. Employers who provide healthcare on an insured basis will now presumably be impacted directly through lower premium rates in 2017. Employers who provide healthcare coverage on a self-insured basis are not impacted by this provision, as they are not subject to the fee.

This new funding bill does not affect the complex recordkeeping and reporting requirements and as such these requirements remain unchanged. The Cadillac tax delay does, however, provide employers and plan sponsors with two more years to develop strategies for providing healthcare coverage into the future, and more time for lobbying to repeal the tax permanently which may be possible. Each Democrat and Republican running for President has supported a permanent elimination of the Cadillac tax.

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