Health Care Update

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Annual Meeting
September 26, 2017
Hollywood, FL
“Cadillac Tax” -- 40% Excise Tax on Job-Based Health Plans
Some people think of it more as the ----
Others consider it more like the ---
Effective starting in 2020

OBJECTS IN MIRROR ARE CLOSER THAN THEY APPEAR
Cadillac Tax -- Simply Stated

- 40% excise tax on cost of health coverage above dollar thresholds

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<thead>
<tr>
<th></th>
<th>Self-Only</th>
<th>Family</th>
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<tbody>
<tr>
<td>2018</td>
<td>$10,200</td>
<td>$27,500</td>
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<tr>
<td>2020 (est)</td>
<td>$10,800</td>
<td><strong>$29,100</strong></td>
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- All multiemployer plan coverage treated as family
- Adjustments to dollar limits
  - Age and gender
  - Post-age 55 retirees (but pre-Medicare)
  - Specified high risk professions and repairing or installing electrical or telecommunications lines
- Broad definition of “coverage” taken into account
- Indexing -- CPI
Basic Questions

- Who is legally responsible for paying the tax?
  - Insurer for fully insured plans
  - Otherwise “person who administers the plan benefits”
- Who bears the economic burden of the tax?
- How complicated are the details?
▪ Graham/Cassidy Does Not Pass
▪ Graham/Cassidy Passes As Is
  ▪ No Change to Cadillac Tax
▪ Amendment to Delay/Repeal Cadillac Tax
  ▪ Heller Repeal Amendment (July 27), passed 52-48
▪ Tax Reform
  ▪ Opportunity
  ▪ But.....
    ▪ Taxing employees on their health care?
✓ **House Republican** “Better Way” Blue Print on Health, June 2016
✓ HHS Sec. and Former House Budget Comm. Chairman **Tom Price**, Empowering Patients First Act,” HR 2300 (114th Cong)
✓ “Leaked” **ACA repeal/replace reconciliation draft** dated Feb. 10, 2017
✓ Is a cap on the employee exclusion a tax on the middle class? “I don’t see it that way”. **Ways and Means Committee Chairman Kevin Brady** (R-TX)
$3.6 TRILLION

- Lost revenue to federal government (tax expenditure) over 2017-2026 budget window

- $266 billion in fiscal year 2016 alone

Source: Joint Committee on Taxation (JCT), as reported by the Congressional Budget Office (CBO)
177 Million

- Number of American workers, retirees (pre-65), and their families covered by job-based health coverage

- Most common source of health coverage for pre-age 65 Americans

- Both before and after Affordable Care Act
IRS Still Sorting Out Excise Tax Details

- Notice 2015-16; Notice 2015-52
- NCCMP Comments -- Guiding Principles
  - Fully implement multiemployer statutory provisions (any coverage is family coverage)
  - Minimize administrative burdens as much as possible
  - Flexibility – It’s not “one size fits all”
- NCCMP Comments -- Detailed Comments
  - Including who is liable for the tax, how to calculate cost of coverage, age and gender adjustments, high risk professions, excluded coverage...
Graham/Cassidy Issues

- Employer penalty repealed retroactive to 1/1/2016
- Individual penalty repealed retroactive to 1/1/2016
- OTC tax repealed
- HSA enhancements
- Market Reforms: State waivers for *individual* and *small group*
  - Allows unrestricted variations in premiums, including based on age and health status (other than differences based on gender or constitutionally protected classes)
  - Essential Health Benefits
  - MLR rebate requirements
- Impact on Large Group and Self-Funded?
  - No specific changes for such plans
  - Possible impact through EHB changes on annual/lifetime limits, OOP max, but not clear
  - Possible new state-level health care related taxes? State employer responsibility penalties?
If Congress Doesn’t Act

- More Focus On Administrative Changes
  - Regulatory and Sub-Regulatory Guidance (FAQs, etc)
- Litigation
NL East Division Champions 2017
Thank You!