

# Health Care Reform Management Alert Series



## Happy Holidays - Cadillac Tax is Delayed!

Issue 96

By Joy Sellstrom

*This is the ninety-sixth issue in our health care reform series of alerts for employers on selected topics in health care reform. (Our general summary of health care reform and other issues in this series can be accessed by clicking [here](#).) This series of Health Care Reform Management Alerts is designed to provide a more in-depth analysis of certain aspects of health care reform and how it will impact your employer-sponsored plans.*

**Cadillac Tax.** On December 18, 2015, President Obama signed the Consolidated Appropriations Act, 2016 (Act) delaying the effective date of the “Cadillac Tax” until 2020 and making the tax deductible. Leading opponents of the tax have said they would continue to press for it to be rescinded altogether.

The “Cadillac Tax” is a 40% excise tax that the Affordable Care Act (ACA) imposes on coverage providers to the extent the value of employer-sponsored health coverage for an employee exceeds a threshold amount. As originally enacted under the ACA, the tax was to be nondeductible and would have taken effect in 2018. The initial threshold amounts would be \$10,200 for an employee with “self only” coverage, and \$27,500 for an employee with coverage other than “self only” coverage.

The threshold amounts are subject to a variety of adjustments, including an upward adjustment to the annual limits to the extent the age and gender characteristics of the employer’s workforce differ from that of the national workforce, using the *Blue Cross/Blue Shield standard benefit option under the Federal Employees Health Benefits Plan* (FEHBP) as the comparison point. There was a concern in the industry that utilizing the claims data with respect to the FEHBP could provide employers with a less than full adjustment value since the population covered by the FEHBP may not reflect the age and gender characteristics of the national workforce. Consequently, the Act requires the Comptroller General of the United States, in consultation with the National Association of Insurance Commissioners, to report to the House of Representatives and the Senate (within 18 months from the date of enactment) on the suitability of the use of the premium cost of the FEHBP as a benchmark for the age and gender adjustment of the dollar limits.

**Health Insurance Provider Fee.** As explained in [Issue 57](#) of our Management Alert Series, the ACA imposed an annual fee on entities engaged in the business of providing health insurance, which was presumably passed through as a premium increase for insured plans. (The fee is not applicable to self-funded plans.) The fee applied beginning in 2014. The Act provides for a one-year moratorium on the annual fee imposed on health insurance providers. The fee will not apply for calendar year 2017.

[Joy Sellstrom](#) is senior counsel in Seyfarth's Chicago office. For more information, please contact your Seyfarth Shaw LLP attorney or Joy Sellstrom at [jsellstrom@seyfarth.com](mailto:jsellstrom@seyfarth.com).

[www.seyfarth.com](http://www.seyfarth.com)



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