

LAW & POLICY GROUP**GRIST**

SENATE URGED TO FOLLOW HOUSE IN VOTING TO SCRAP ACA'S CADILLAC TAX

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Full repeal of the “Cadillac” tax on “high-cost” employer-sponsored health coverage is one step closer to reality, after a bill ([HR 748](#)) to scrap the Affordable Care Act (ACA) levy passed the House July 17 in an overwhelmingly bipartisan 419-6 vote. Action now moves to the Senate, where companion legislation ([S 684](#)) now has 60 bipartisan cosponsors as repeal supporters step up efforts to get legislation to the president’s desk this year.

CADILLAC TAX REVISITED

The twice-delayed tax is slated to begin in 2022 and apply a 40% excise tax to the aggregate cost of applicable employer-sponsored health coverages that exceed specified thresholds. The nonpartisan Congressional Budget Office (CBO) [estimates](#) that in 2022, the thresholds would be \$11,200 for individual coverage and \$30,100 for family coverage.

After 2022, those thresholds will be indexed to the growth of the chained consumer price index (C-CPI). CBO acknowledges that because health insurance premiums will probably continue to rise faster than inflation in the C-CPI, the Cadillac tax will likely affect a growing number of people over time.

LOST REVENUE IGNORED FOR NOW

The House approved the Middle Class Health Benefits Tax Repeal Act without offsetting the CBO’s [projected cost](#) of \$197 billion in lost tax revenue over 10 years. Although the House’s “pay-as-you-go rule” generally requires legislation to be budget-neutral, any offset chosen by Democrats might have drawn objections from Republicans and undermined bipartisan support.

On the other side of the Capitol, counterpart legislation sponsored by Sens. Mike Rounds, R-SC, and Martin Heinrich, D-NM, now has 60 bipartisan cosponsors, equally divided by party, giving supporters a critical filibuster-proof majority if the bill isn’t modified. The two lawmakers urged Senate leaders in a July 25 [letter](#) to “bring up repeal for a vote by the end of this year.” The broad-based [Alliance To Fight the 40](#), to which Mercer belongs, and plan sponsors likewise are focusing on continuing to build Senate support and convincing Senate leadership to push the repeal measure to a vote.

The Senate is set to leave for its August break within days, but the measure could advance this fall as part of a larger legislative package. However, budget deficit concerns could lead Congress to instead enact another two-year delay with a cost of approximately \$21 billion.

REPEAL EFFORT PART OF BROADER CAMPAIGN

The effort to repeal the Cadillac tax is part of a broader campaign about the value of employer-provided health benefits. Many new members elected to Congress over the past decade don't fully understand the importance of employer-provided health benefits that cover more than 181 million people nationwide. The immense value of employer-provided coverage is a central message of the Alliance to Fight the 40 and its mission to protect the current tax treatment of employer-provided coverage.

RELATED RESOURCES

Non-Mercer Resources

- [HR 748](#), the Middle Class Health Benefits Tax Repeal Act (Congress, July 22, 2019)
- [S 684](#), the Middle Class Health Benefits Tax Repeal Act (Congress, March 6, 2019)
- [Estimated Cost of HR 748](#) (Congressional Budget Office, July 17, 2019)
- [Alliance To Fight the 40](#)

Mercer Law & Policy Resources

- [Top 10 Compliance Issues for 2020 Health and Fringe Benefit Planning](#) (June 25, 2019)
- [2019 Compliance and Policy Outlook for Employer-Sponsored Health Benefits](#) (Feb. 6, 2019)
- [2019 Outlook for ACA Legislation](#) (Feb. 6, 2019)

Other Mercer Resources

- [US Health News: Health Law and Policy](#)
- [2019 Outlook for Healthcare Issues in Congress](#) (Jan. 24, 2019)
- [The Flawed Logic of the Cadillac Tax, Explained](#) (Sept. 18, 2018)
- [Leading the Way: Employer Innovations in Health Coverage](#) (Mercer and the American Benefits Council, May 2018)

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