

LAW & POLICY GROUP

GRIST

CADILLAC, OTHER ACA TAXES REPEALED IN SPENDING BILL

*By Mercer's Geoff Manville and Dorian Z. Smith
Dec. 17, 2019*

Permanent repeal of the so-called [Cadillac tax](#) on “high-cost” employer-sponsored health coverage will happen within days as part of a year-end government spending package slated for enactment. Other Affordable Care Act (ACA) changes in the package include repeal of the taxes on [health insurers](#) and [medical devices](#), as well as [extension](#) of the annual employer fee for the Patient-Centered Outcomes Research Institute (PCORI). The deal also [extends](#) the tax credit for employer-paid family and medical leave. Congress is expected to clear the spending deal for the president’s signature before government funding expires at midnight Friday.

CADILLAC TAX REPEAL LONG SOUGHT

Repeal of the Cadillac tax caps off years of efforts by a broad range of stakeholders, including Mercer and the [Alliance to Fight the 40](#), a coalition organized by the American Benefits Council. Those efforts aimed to educate lawmakers about the adverse consequences of the tax and the value of employer-provided healthcare coverage. Congress has twice delayed the tax, and in July, the House overwhelmingly approved a stand-alone bill ([HR 748](#)) to repeal the tax. Senate counterpart legislation ([S 684](#)) had more than 60 cosponsors, and more than 1,000 employers — including Mercer and many of its clients — signed on to a [Dec. 5 letter](#) urging the Senate to act.

By axing the ACA’s Cadillac, health insurance (repealed effective 2021) and medical device (repealed effective 2020) taxes, the spending package removes nearly all of the law’s major funding provisions, except the employer shared-responsibility assessments. The Congressional Budget Office (CBO) [projects](#) repeal of the Cadillac tax will cost nearly \$200 billion over 10 years. Earlier estimates from the CBO said repeal of the medical device tax would cost about \$24 billion over a decade, while the IRS estimated earlier this year that repeal of the health insurance tax would amount to revenue losses of \$15.5 billion just in 2020.

OTHER HEALTHCARE REFORMS IN SPENDING DEAL

Other provisions of interest to employers and health insurers in the spending legislation include:

- A one-year extension of the federal tax credit for employers providing paid family and medical leave through 2020, which was originally enacted as a two-year pilot program under the Tax Cuts and Jobs Act of 2017
- A 10-year extension of annual employer fees to fund the PCORI, along with program changes sought by employers
- A bipartisan [drug measure](#) (originally in [HR 965](#)) that would make it easier for generic drug companies to access samples of brand-name drugs.

The package does not include broader drug-pricing reforms or legislation to stop surprise out-of-network medical bills, although efforts to enact those measures will continue next year.

RELATED RESOURCES

Non-Mercer Resources

- [Rules Committee Print 116–44 Amending HR 1865](#), Further Consolidated Appropriations Act, 2020 (House Rules Committee, Dec. 16, 2019)
- [Amendment to Rules Committee Print 116-44](#) (House Rules Committee, Dec. 16, 2019)
- [HR 748](#), the Middle Class Health Benefits Tax Repeal Act (Congress, July 22, 2019)
- [Estimated Cost of HR 748](#) (Congressional Budget Office, July 17, 2019)
- [HR 965](#), the Creating and Restoring Equal Access to Equivalent Samples (CREATES) Act of 2019 (GPO, May 10, 2019)
- [S 684](#), the Middle Class Health Benefits Tax Repeal Act (Congress, March 6, 2019)
- [Alliance to Fight the 40](#)

Mercer Law & Policy Resources

- [Congress Weighs Extending Tax Credit for Paid Family and Medical Leave](#) (Sept. 9, 2019)
- [Senate Urged To Follow House in Voting To Scrap ACA's Cadillac Tax](#) (Aug. 2, 2019)
- [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)

Other Mercer Resources

- [More Than 1K Employers Urge Senate To Repeal the ‘Cadillac Tax’](#) (Dec. 12, 2019)
- [Congress Readying Renewal of PCORI Fee with Employer-Friendly Changes](#) (Nov. 14, 2019)
- [The Flawed Logic of the Cadillac Tax, Explained](#) (Sept. 13, 2018)

Note: Mercer is not engaged in the practice of law, accounting or medicine. Any commentary in this article does not constitute and is not a substitute for legal, tax or medical advice. Readers of this article should consult a legal, tax or medical expert for advice on those matters.