



# Short-Term Spending Bill Delays Cadillac Plan Tax and Extends CHIP

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On January 22, 2018, Congress approved a short-term spending bill (the “Bill”) that will fund the government until February 8, 2018. The Bill was signed into law the same day. During its annual appropriation exercise, Congress provides funding for the agencies and programs it has authorized. Because Congress failed to adopt a regular appropriation bill, a continuing resolution was adopted on December 22, 2017 to continue government funding until January 19, 2018. The current Bill secures temporary funding to allow agencies and programs to continue to function, but a regular appropriations bill is required to secure funding for the entire year (until September 30, 2018).

Notable to employers sponsoring group health plan coverage, the Bill will further delay the effective date of the Cadillac Plan Tax until January 1, 2022. The Bill also suspends other health care related taxes and extends the Children’s Health Insurance Program (“CHIP”).

## ■ Suspension of Health-Related Taxes

Several taxes were included as part of the Affordable Care Act (“ACA”) to increase health insurance coverage (e.g., individual and employer mandates), reduce health care costs (e.g., Cadillac Plan Tax) and finance health care reform (e.g., PCOR fee). While some taxes have been in effect for several years, others have been delayed or suspended by congressional action.

The Bill delays or suspends the following ACA taxes:

- **High Cost Employer-Sponsored Health Coverage** (“Cadillac Plan Tax;”). This is a 40% excise tax on the value of coverage above \$10,200 for self-only coverage and \$27,500 for coverage other than self-only. Originally scheduled to take effect January 1, 2018, subsequent legislation delayed the effective date until January 1, 2020. This Bill once again delays the effective date until January 1, 2022.
- **Medical Device Tax.** This is a tax equal to 2.3% of the price of the product, imposed on the sale of any taxable medical device by the manufacturer, producer, or importer. It was previously suspended and is further delayed until January 1, 2020.
- **Annual Fee on Health Insurance Providers.** This fee is assessed on health insurance carriers. Carriers generally build the cost into premiums (3% to 4%) of insured medical, dental, and vision plans. The tax took effect in 2014, was suspended for 2017 and will again be suspended for calendar year 2019. The tax will be collected for 2018.

## ■ The Healthy Kids Act

The Bill expands coverage for children under CHIP and the Public Health Funding Extension Act for a period of six years. CHIP provides health coverage to eligible children who are ineligible for Medicaid, but cannot afford health insurance. Under the program, the federal government matches state funds to expand health insurance coverage for children.

In addition, the Bill expands funding for the following programs:

- **Childhood Obesity Demonstration Project**  
a comprehensive model used to reduce childhood obesity by awarding grants to eligible entities.
- **Pediatric Quality Measures Program**  
aims at improving and strengthening core child health.
- **Outreach and Enrollment Program**  
designed to increase the enrollment and participation of eligible children.

Finally, the Bill also provides that states may offer a plan that mirrors CHIP benefits for children under the age of 19 that do not qualify for CHIP or Medicaid, a “qualified CHIP look-alike program,” that is funded from state funds or through premiums. Thus, the program would allow over-age children to continue to maintain health coverage at reduced costs.

## ■ Resources

For additional information, see:

<https://www.congress.gov/115/bills/hr195/BILLS-115hr195enr.pdf>