

Spending Bill Extends PCORI Fee and Repeals Cadillac Tax, HIP Fee, and Medical Device Excise Tax

DECEMBER 20, 2019



On December 20, 2019, President Trump signed the [Further Consolidated Appropriations Act, 2020](#) (Act) to keep the federal government running through September 2020. The Act significantly affects provisions under the Patient Protection and Affordable Care Act (ACA), largely through one fee extension and the repeal of three taxes.

The changes most relevant to employer-sponsored group health plans are the PCORI fee extension and the Cadillac tax repeal.

PCORI Fee Extension

The Patient-Centered Outcomes Research Institute (PCORI) fee is extended to 2029. The PCORI fee was initially applied from 2012 to 2019. The fee was \$1.00 per covered life in the first year that the fee was in effect. Most recently, for plan years that ended on or after October 1, 2018, and before October 1, 2019, the indexed fee was \$2.45. The IRS has not released the indexed fee for plan years that end on or after October 1, 2019, and before October 1, 2020, or for subsequent plan years.

Cadillac Tax Repeal

The forty percent excise tax on high-cost health insurance ("Cadillac tax") is repealed. The Cadillac tax was initially scheduled to take effect in 2018. Then the Cadillac tax was delayed to 2020 and, most recently, to 2022.

Health Insurance Provider Fee Repeal

The Health Insurance Provider (HIP) Fee is repealed as of January 1, 2021. The HIP Fee imposes an aggregate annual tax apportioned among health insurers of "United States health risks" whose annual net premiums written exceeded \$25 million based on relative market share. The HIP Fee was in effect in 2014 through 2016, had a one-year moratorium for 2017, was in effect in 2018, and was suspended for 2019.

Medical Device Excise Tax Repeal

The medical device excise tax is repealed as of January 1, 2020. The excise tax imposed a 2.3% tax on domestic sales of medical devices.