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Health Policy in Transit

A Purchaser Viewpoint

National Alliance of Healthcare Purchaser Coalitions is a national, non-profit, membership association of employer led coalitions across the country collectively serving 12,000 purchasers and 41 million Americans.

National Alliance of Healthcare Purchaser Coalitions
Driving Innovation, Health and Value

Movement on the Margins

While health reform dominated the headlines in 2017, in reality, there was little movement around the Affordable Care Act. However, in the last two months, significant developments have emerged. Through two pieces of legislation and one regulatory announcement, the following changes have been put in place:

- **Individual Mandate Repeal -** One of the less discussed parts of the major tax overhaul in 2017 was the repeal of the individual mandate to purchase insurance or pay a penalty. The individual mandate required most Americans to buy coverage or pay an annual penalty of $695. It has long been the most unpopular piece of the ACA, but insurance experts said it was a necessary piece that kept the individual insurance market, including the ACA exchanges, from collapsing. The non-partisan Congressional Budget Office estimates that over the next 10 years there will be 13 million more uninsured; the costs of care for this population may shift to employers. Notably, the employer mandate and related reporting requirements remain in force.

- **Medicare Payment Reform –** Earlier this month, the CMS Innovation Center announced a new streamlined bundled payment program, Bundled Payments for Care Improvement Advanced (BPCI Advanced). The program will operate under a total-cost-of-care concept, in which the total Medicare fee for services (FFS) spending on all items and services furnished to a BPCI Advanced Beneficiary during the Clinical Episode will be part of the Clinical Episode expenditures for purposes of the Target Price and reconciliation calculations, unless specifically excluded. BPCI Advanced is different from the current BPCI program in that it's streamlined (only one track), includes patient risk adjustment, and provides clinicians with a prospective target episode cost.

- **Health Insurance Tax Delay -** The health insurance provider tax, more commonly known as the health insurance tax, or HIT, was suspended for one year starting in 2019 after congressional Republicans successfully tacked it onto a government funding measure signed by President Donald Trump on January 22. The HIT was suspended for 2017 by former President Barack Obama after it was included in a year-end spending package signed in late 2015. The HIT is one of several taxes embedded in the ACA to raise revenue to help cover low- to middle-income consumers seeking to buy insurance on state and federal exchanges. All fully insured coverage plans are taxed under the HIT. Insurers continue to push for a full repeal of the tax.

- **Cadillac Tax Delay -** Also included in the government funding legislation signed on January 22 is another two-year delay of the excise tax on high-cost health plans, known as the "Cadillac Tax" to 2022. The Cadillac Tax was created as part of the ACA largely to help fund benefits to the uninsured under the law. Originally, starting in 2018, employers were supposed to begin paying a 40% tax on costs of health plans that are above $10,200 per individual and $27,500 for family coverage. Since nearly one-fourth of employers were going to have to pay this tax in its first year, the delay is welcome, but the industry continues to push for a full repeal of this tax.

Implications for Employers

While the delays of the health insurance and Cadillac taxes represent a move away from burdensome taxation, the repeal of the individual mandate and the cost-shifting likely to result may offset any financial gains from avoiding those taxes. In addition, as purchasers implement and explore bundled payment arrangements, when possible they should strive to align with the Medicare BPCI Advanced program so as to speak with a common voice.