



GOP Releases The American Health Care Act

Last night, Republicans in the U.S. House of Representatives released their proposed repeal and replacement bill, called the American Health Care Act. The proposed legislation is a two-part bill, one coming from the [Ways and Means Committee](#), and the other from the [Energy and Commerce Committee](#).

Most notable for employers, **the proposed legislation repeals the employer mandate and there will be no cap on the employer tax exclusion.** (A full summary of the major impacts of the bill is included at the end of this post.)

A cap on the tax exclusion was included in a recent draft and in recent weeks we have made significant efforts on behalf of our clients for it to be removed. We worked on a national level through our [C2 Solutions partnership](#) and lobbied in Washington, D.C. through the National Association of Health Underwriters and Council of Insurance Agents and Brokers platforms. We also worked with members of Congress representing the Scott footprint. We engaged in multiple calls with policy advisors, chiefs of staff and directly with the Representatives. I was in the office of a member of the House leadership yesterday afternoon as the final touches were being put on the bills to be released. At Scott, we are pleased to see these efforts bear fruit for the benefit of our clients.

It is important to note that this bill still faces committee review before it is voted on by the House and it must also make its way through the Senate. It is very possible that the proposed legislation we see today will not be the final form.

Our team at Scott will continue to monitor the legislation through the committee markup and House vote process and then into the Senate. We plan to offer a webinar in the coming weeks to cover the details of the legislation more thoroughly. You can subscribe to receive email notifications for our webinars and seminars [here](#).

American Health Care Act Impact Summary

Below is a summary of the major impacts of the bill, by section. Potential impacts to employer-sponsored coverage are in bold. The Ways and Means bill has much more applicability to employers than the Energy and Commerce.

Ways And Means:

Sections 01-02 – Deals with the government recapturing subsidy overpayments and allows premium tax credits to be used to purchase “catastrophic” coverage.

Section 03 – Repeals the ACA premium tax credit/subsidies beginning in 2020

Section 04 – Repeals the ACA Small Business Tax Credits

Section 05 – Repeals the Individual Mandate by reducing the penalties to \$0 for all months beginning after December 31, 2015.

Section 06 – Repeals the Employer Mandate by reducing the penalties to \$0 for all months beginning after December 31, 2015.

Section 07 – Delays the effective date of the Cadillac Tax until January 1, 2025

Section 08 – Allows OTC medications to be purchased through HSA, FSA, HRA and Archer MSA accounts effective in 2018.

Section 09 – Returns penalty for distribution of HSA or Archer MSA dollars for non-qualified expenses to pre-ACA levels

Section 10 – Eliminates the \$2500 (it has been increased to \$2600) limit on medical FSA accounts effective in 2018

Section 11 – Repeal of Medical Device Excise Tax

Section 12 – Reinstates employer deduction for offering retiree drug coverage

Section 13 – Repeals the increase threshold for medical expense deduction, returning it to 7.5%

Section 14 – Repeals the 0.9% Medicare Hospital Insurance surtax

Section 15 – Creates new refundable tax credits for individuals who don't have access to employer or government based insurance

Section 16 – Increases the amount that can be contributed to an HSA to \$6,550 for single and \$13,100 for family beginning in 2018

Section 17 – Allows both spouses to make HSA catch-up contributions to HSA

Section 18 – Allows certain medical expenses incurred before the HSA was established to be reimbursed if HSA is established with 60 days of HDHP effective date.

Subtitle:

Section 01 – Repeal of 10% tanning tax

Section 01 – Repeal of 3.8% investment tax

Section 01 – Remuneration from certain insurers allowing deduction of certain expenses paid to an officer

Section 01 – Repeal of Tax on Pharmaceutical Manufacturers

Section 02 – Repeal of Health Insurance Tax

Energy and Commerce:

Section 101 – Repeals the Prevention and Public Health Fund

Section 102 – Increases funding for the Community Health Center Fund

Section 103 – One-year freeze on Planned Parenthood funding

Sections 111 – 121 – All deal with Medicaid restructuring

Section 131 – Repeals the ACA Cost Sharing subsidy in 2020

Section 132 – Establishes the Patient and State Stability Fund

Section 133 – Establishes a continuous health insurance coverage incentive in the individual and small group market of 30% increased premium if someone has anything more than a 63-day gap in coverage beginning in 2018

Section 134 – Eliminates the “metal tier” (i.e. platinum, gold, silver, bronze) actuarial value requirements

Section 135 – Changes the age variation allowance in premium rates from 3-1 to 5-1.

Written by Greg Stancil

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