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"CADILLAC TAX" REPEALED; PCORI FEE EXTENDED

Hodgson Russ Employee Benefits Newsletter
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The signing of the Further Consolidated Appropriations Act, 2020 (Act) at the close of 2019 affected two Affordable Care Act fees related to employer sponsored group health plans.

First, the good news: the Act repealed Internal Revenue Code Section 4980I (a.k.a. the Cadillac Tax). The so called Cadillac Tax was a 40% excise tax on certain high cost group health plans. Although the Cadillac Tax was originally scheduled to become effective in 2018, it was repealed before ever going into effect. Its effective date was initially delayed until 2020, and was delayed again to 2022, before ultimately being repealed.

Now, the bad news: the Act extends the Patient Centered Outcomes Research Institute (PCORI) fee for an additional 10 years. The amount of the PCORI fee is based on the average number of covered lives in a self-insured group health plan. Most recently, the fee was $2.45 per average covered life, but the amount of the fee is indexed and generally increases a little each year. The PCORI fee was originally applied to self-insured health plans for plan years ending after September 30, 2012 and before October 1, 2019. However, the Act extends the PCORI fee to 2029. (Further Consolidated Appropriations Act, 2020: H.R. 1865)

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