

For brokers and producers only

Date: January 23, 2020

Market: All

President Signs Fiscal Year (FY) 2020 Spending Package

Package Includes Repeal of Health Insurance Tax and Cadillac Tax Beginning 2021

Congress passed, and the President signed, an FY2020 spending package. The package includes two appropriation bills (H.R.1865, H.R.1158) that would fund domestic interests and international assistance, and the military, respectively, through September 30, 2020. Of note, the package also includes:

- A *permanent* repeal of the health insurance tax (HIT), the “Cadillac Tax,” and the medical device tax beginning in January 2021.
- For the 2021 plan year, maintaining the ability for individual market consumers to be reenrolled automatically via the Health Insurance Exchanges and prohibiting HHS from taking any action to prohibit or restrict “silver loading” of cost-sharing reduction payments into on-exchange silver metal level plans to compensate for lack of payment from the federal government.
- A 10-year extension of the Patient-Centered Outcomes Research Institute (PCORI) through September 30, 2029 that includes new authority for the assessment of the economic impacts of outcomes (PCORI is funded in part through an assessment on insurers and funds research on patient-centered care and health outcomes).
- The Creating and Restoring Equal Access To Equivalent Samples (CREATES) Act (S.340), which allows generic manufacturers to obtain the samples of brand drugs necessary to develop their generic competitors, making it easier for generic drugs to come to market, effective December 20, 2019.
- An increase in the minimum age for sale of tobacco products, including vaping products, to 21, effective December 20, 2019.

Why it matters: This action prevented a government shutdown when funding was scheduled to expire on December 20, which would have resulted in furloughed federal employees and stopped payments from the federal government for their health insurance and to government contractors for government contracts.

Many of the additional provisions also impact health insurance and the cost of healthcare. The repeal of the HIT and Cadillac taxes are welcome news, as they will help reduce future health insurance premiums beginning 2021. The prohibition on eliminating “silver loading” and auto-renewals will prevent disruption to the individual markets for 2021. Passage of the CREATES Act marks a small, but positive, step toward boosting drug competition, which may help to reduce prescription drug costs in the long term. Finally, an increase in the minimum age for sale of tobacco products, including vaping products, to 21 is an important step toward addressing the youth vaping epidemic.

It is also important to note what was not included in the package—“surprise” out-of-network billing protections for consumers and broader drug pricing provisions. While these issues will continue to be discussed during the early months of 2020 in Congress, it is unclear whether action will be taken this year.

For more information

If you have any questions, please contact your broker sales representative.