



# Legislation to Suspend the Health Insurance Tax Will Help Make Premiums More Affordable

*Suspended by Congress in 2019, the Health Insurance Tax is Slated to Return in 2020*

Beginning in 2014, the Affordable Care Act (ACA) imposed a tax that is projected to exceed \$260 billion over 10 years (2020-2029) in what is essentially a sales tax on health insurance coverage. [Actuarial analyses](#) found that the health insurance tax negatively impacts consumers and employers by adding to the cost of coverage purchased directly from a health insurance plan in the individual and employer markets, as well as beneficiaries in public programs like Medicaid and Medicare.

In January 2018, recognizing the growing impact of the health insurance tax on these constituents, Congress approved a budget agreement that included a one-year suspension of the tax in 2019. The one-year suspension of the tax was enacted with strong bipartisan support in Congress.

The one-year suspension of the tax will expire at the end of 2019. Building on this bipartisan support, it is important for Congress to take immediate action to fully repeal or continue the suspension of the health insurance tax into 2020 to continue to improve the affordability of coverage for millions of consumers. Allowing a tax to resume in 2020 valued at an annual level of \$16 billion, would saddle individual market consumers, small businesses, state Medicaid programs, and Medicare Advantage enrollees with higher health care costs.

## Suspension of the Tax Will Improve Affordability for Consumers in 2019

The one-year suspension of the health insurance tax in 2019 was an important step toward improving affordability for consumers. An [analysis](#) – broken down by coverage type – by the actuarial firm Oliver Wyman estimated that consumers would see an average annual savings of:

2019 Savings from HIT Suspension	
Individual Coverage	\$230
Small Group, Individual	\$300
Large Group, Individual	\$280
Medicaid	\$160
Medicare Advantage	\$380
Part D	\$17

Source: "Estimated Impact of Suspending the Health Insurance Tax from 2017-2020." Oliver Wyman, December 2015.

## Opportunity for Congress to Take Action

Congress has an important opportunity to provide much-needed certainty and improve the affordability of coverage for consumers by continuing to suspend the health insurance tax in 2020 and beyond. Under current law, the total dollar amount of the health insurance tax is statutorily set at \$14.3 billion for 2018 and will increase to \$16 billion in 2020.

## Suspend the Health Insurance Tax for 2020

An August 2018 Oliver Wyman [analysis](#) – broken down by coverage type – estimates that if the health insurance tax is reinstated in 2020, consumers will see an average premium increase of:

2020 Premium Increases due to HIT	
Individual Coverage	\$196
Small Group, Individual	\$154
Large Group, Individual	\$158
Medicaid	\$157
Medicare Advantage	\$241
Part D	\$16

Source: “Analysis of the Impacts of the ACA’s Tax on Health Insurance in Year 2020 and Later.” Oliver Wyman, August 2018.

Allowing the health insurance tax to resume in 2020 will result in higher health care costs for consumers and send the wrong message about improving health care affordability. With health plans already working on their products and prices for 2020, it is important that Congress take immediate legislative action to repeal or suspend the health insurance tax. If the tax is not suspended or repealed, these products will have to factor in the cost of the health insurance tax for 2020.

### Bipartisan Legislation to Repeal the HIT

On May 24, 2018, Representatives Noem (R-SD), Sinema (D-AZ), Walorski (R-IN), and Bera (D-CA) introduced bipartisan legislation—[H.R. 5963](#)—that would suspend the health insurance tax for 2020. On June 13, 2018, Senator Barrasso (R-WY) introduced a bipartisan companion bill—[S. 3063](#)—which would also suspend the health insurance tax for 2020.

Enactment of this legislation would help deliver more affordable coverage and care as well as lower premiums for millions of Americans—whether they obtain coverage through their jobs, purchase their own coverage on the individual market, or enroll in Medicare Advantage or Medicaid managed care. This bipartisan legislation represents an important and immediate step in providing relief for working families, and Congress can further build on this effort by working to permanently repeal the HIT.