Symetra Life Insurance Company

777 108th Avenue NE, Suite 1200
Bellevue, WA 98004-5135

Local Office: Benefits Division
777 108th Avenue NE Suite 1200
Bellevue, WA 98004-5135

Phone 1-800-426-7784
Fax 1-866-348-0058

www.symetra.com

Impact of the final tax bill on health care reform efforts

The 2017 Tax Cuts and Jobs Act signed into law on December 22, 2017 contained one significant piece of health care reform. Namely, the effective elimination of the Affordable Care Act's individual mandate to have health insurance that qualifies as minimum essential coverage (MEC) beginning in 2019. The following document outlines the impact of these revisions and what, if any, additional changes are expected.

What's changed — the individual mandate as of 2019

The individual mandate is still law; however, the penalty will be gone as of 2019. This effective elimination of the mandate was accomplished through a reduction of the tax penalty to zero, which was done through the tax bill's budget reconciliation process.

It is important to note that the penalty remains in effect for 2018. As a result, an individual's failure to maintain minimum essential coverage throughout 2018 could result in a fine assessed at tax time in 2019. It is unknown whether there will be any administrative relief for prior years.

What's unchanged — the employer mandate

The bill does not eliminate the ACA's employer mandate to *offer* minimum essential coverage to most employees, or the penalties associated with not offering such coverage. In fact, penalty enforcement action by the IRS began in the final months of 2017 with notices mailed to employers who may owe a penalty for 2015.

Additionally, the ACA's individual insurance markets, federal subsidies to help individuals pay monthly insurance premiums, and Medicaid expansion in the dozens of states that implemented it remain in effect, barring further Congressional action. The Cadillac Tax is also still scheduled to go into effect but is now delayed until 2022 by the Continuing Appropriation Act.

What does this mean for the MEC plan market?

The market for MEC plans should continue for the near term. What is unknown, though, is how employees will view the necessity of compliance with a law that does not carry a penalty, and what impact that will have on enrollment in employer-sponsored MEC plans. The Congressional Budget Office estimates that 13 million fewer people will get health insurance because of the repeal, owing in large part to the lack of incentive for healthy people in the absence of a penalty. Nevertheless, we could see an increase in non-MEC and major medical alternative coverage enrollment. Employers are well advised to explore their options in the marketplace.

Are more changes expected?

Winning this one — but significant — victory could diminish Republicans' resolve to push for more reform. Despite continuing broad statements of repeal goals, there has never been much interest in eliminating market protections that the ACA put in place, such as those requiring insurers to cover dependent children up to age 26 and prohibiting insurers from excluding pre-existing conditions. However, as most employee benefit plan and tax advisers will tell you, there are still more questions unanswered than answered and that may not change for a while.

This advisory on selected topics is intended to be informational and does not constitute legal or tax advice. Recipients should consult their legal or tax advisers for application of the law to their specific circumstances.