

# The Impact of the Health Insurance Tax on Medicare Advantage

BETTER MEDICARE  
ALLIANCE

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## Key Facts

- The ACA imposed a multi-billion-dollar annual tax on health insurance that is likely to increase premiums or cost-sharing for Medicare Advantage beneficiaries.
- Over 20% of the HIT falls on Medicare Advantage and Part D plans.
- Congress suspended the tax for 2017.
- The HIT is scheduled to be reinstated for 2018.
- As a result, beneficiaries' premiums could increase by an estimated 2.6% in 2018.
- Better Medicare Alliance urges Congress to suspend the tax for 2018 and to repeal the HIT in future years to protect Medicare Advantage beneficiaries.

## Policy Recommendation

Better Medicare Alliance urges Congress to act as soon as possible to delay the health insurance tax for 2018 to protect Medicare Advantage beneficiaries from increased health care costs and provide stability for providers. Repeal of the HIT would prevent the negative impact on the cost of health coverage and access to the valued care for seniors, the disabled, and low-income beneficiaries in Medicare Advantage.

## The Health Insurance Tax (HIT) and Medicare Advantage

The Patient Protection and Affordable Care Act (ACA) imposed an annual tax on health insurance premiums. The tax applies to individual policies, small groups, employers that are not self-insured, Medicaid managed care, Medicare Part D, and Medicare Advantage. The \$8 billion tax was first levied in 2014, and grows every year by the rate of growth in premiums. To prevent premium increases, the HIT was suspended for 2017. The HIT is scheduled to be reinstated in 2018 and is expected to rise to \$14.3 billion.

Over 20% of the tax falls on Medicare Advantage and Part D plans, likely resulting in an increase in premiums and/or cost sharing paid by seniors and other beneficiaries covered by Medicare Advantage and prescription drug coverage under part D.

The tax will increase costs for Medicare Advantage, which is highly valued by beneficiaries for its affordability, simplicity, supplemental benefits and care management. Medicare Advantage now covers one-third of Medicare beneficiaries and has been shown to increase preventive care, reduce hospitalizations, improve outcomes, and achieve high patient satisfaction.

## The Impact of the HIT on Medicare Advantage Beneficiaries

According to a 2017 analysis by Oliver Wyman, as result of the HIT, beneficiaries' premiums could increase by an estimated 2.6% in 2018, and by as much as to 2.7% in future years. This means premiums in 2018 could increase by an estimated \$245 per year for each Medicare Advantage beneficiary. Over the next ten years, the cost would be \$3,030 per Medicare Advantage beneficiary. Beneficiaries in some states could pay even more. As the tax increases in future years, beneficiaries would experience higher premiums and out of pocket costs or reduced benefits.

## Support for Delaying the HIT

Recognizing the negative impact of the HIT on families, small businesses, and seniors, nearly 400 Democrats and Republicans in Congress voted to suspend the HIT for 2017. The moratorium prevented the scheduled \$13.9 billion tax from being collected for one year, and saved beneficiaries an estimated 3% in premium increases. On January 4, 2017, a bipartisan bill, H.R. 246, was introduced in the House of Representatives to repeal the HIT. Action is needed now to delay the tax, help stabilize the insurance marketplace, and prevent increases in premiums for 2018.