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TAXES – HEALTH INSURANCE TAX

Issue:

Farmers and ranchers have two major concerns related to health insurance: cost and access. The Health Insurance Tax (HIT Tax) increases health insurance costs for farmers, ranchers and other small businesses by imposing a levy on the net premiums of health insurance companies. This additional cost is passed on to consumers who obtain their health insurance through the fully insured market.

Background:

The HIT Tax was passed as part of the Patient Protection and Affordable Care Act (ACA). It has nothing to do with reforming the health care insurance system but was included in the ACA as a way to raise revenue to offset the cost of the legislation. The HIT Tax, which is an excise tax levied on a health insurance company's net premium, raised $8 billion in 2014, the first year the tax was collected, and $11 billion in 2015 and 2016 each.

Most farmers and ranchers and other small businesses are not self-insured because they do not have a large enough pool of employees. Instead, small employers purchase health insurance in the fully insured market. Because fully insured health plans are the only plans factored into the equation that determines how much HIT Tax an insurance company pays, the cost of the HIT Tax is passed through to small businesses that purchase those plans.

This new tax is pushing insurance costs even higher than they already are, making it harder for farmers and ranchers to purchase coverage for themselves, their families and their employees. A recent report from Oliver Wyman estimates that the HIT will force families purchasing coverage in the small group market to pay an additional $500 on average in premium costs next year. Worse, more than half of the entire tax is paid by those with incomes between $10,000 - $50,000, and estimates show the HIT will cost small businesses and families $5,000 in higher premiums over a decade.

The consolidated appropriations bill that passed Congress in December 2015 imposed a one-year moratorium, for 2017, on the collection of the HIT Tax. Since the cost of the HIT increases year-over-year, Americans will see temporary relief in 2017 only to face an even higher HIT impact on premiums in 2018. Providing relief from the HIT is a welcome and critical first step, but Americans need the certainty of a full repeal.

For additional information, visit the Stop the HIT Coalition website at http://www.stopthehit.com/.

Legislative Status:

Legislation to repeal the HIT tax, H.R. 246, has been introduced by Reps. Kristi Noem (R-S.D.) and Krysten Sinema (D-Ariz.). Farm Bureau supports.

Legislation S.1859 to delay the HIT tax for one year has been introduced by Sen. Cory Gardner (R-Co.). Farm Bureau supports.

Legislation S.1978 to delay HIT tax for two years has been introduced by Sen. Heidi Heikamp (D-N.D.). Farm Bureau supports

Language to repeal the HIT tax was contained in House-passed H.R. 1628, The American Health Care Act of 2017.

AFBF Policy:

Farm Bureau believes that one of the primary goals of health insurance reform should be to reduce costs. Farm Bureau opposes the HIT Tax and supports its repeal. Until the HIT tax can be repealed, Farm Bureau supports an extension of the moratorium on the collection of the tax.

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