

# The Impact of the Health Insurance Tax on Medicare Advantage

BETTER MEDICARE  
ALLIANCE

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## Key Facts

- The Health Insurance Tax (HIT) is a multi-billion-dollar annual tax on all health insurance coverage.
- Over 25% of the HIT falls on Medicare Advantage and Part D plans.
- Congress suspended the tax for 2019.
- The HIT is scheduled to be reinstated for 2020.
- Two pieces of legislation have been introduced to delay this tax H.R. 1398 and S. 172, the Health Insurance Tax Relief Act.
- Better Medicare Alliance urges Congress to suspend the tax to protect Medicare Advantage beneficiaries.

## Policy Recommendation

Better Medicare Alliance urges Congress to act now to suspend the Health Insurance Tax to protect Medicare Advantage beneficiaries who value the low-cost, good benefits and quality care they rely on in Medicare Advantage and to provide stability for health plans and providers. Repeal of the HIT would preserve access to high-value care for seniors, the disabled, and low- and modest-income beneficiaries in Medicare Advantage.

## The Health Insurance Tax and Medicare Advantage

The Patient Protection and Affordable Care Act imposed an annual tax on health insurance premiums. The Health Insurance Tax (HIT) is applied 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 paid by beneficiaries, Congress suspended the HIT in 2017 and 2019. The HIT is scheduled to be reinstated in 2020 and is expected to have a total premium impact of as much as \$15.52 billion, negatively impacting over 22 million seniors and disabled individuals enrolled in Medicare Advantage.

Over 25% of the HIT falls on Medicare Advantage and Part D prescription drug plans, which can result in reduced benefits and/or an increase in out-of-pocket cost sharing paid by seniors and other beneficiaries with Medicare Advantage and Part D prescription drug coverage.

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

## The Impact of the HIT on Medicare Advantage Beneficiaries

Today, over 22 million Medicare beneficiaries are covered by Medicare Advantage, with enrollment projected to expand to 40% of all Medicare beneficiaries in 2020. Beneficiaries with Medicare Advantage and Part D coverage have low- to moderate- incomes, with almost half of Medicare Advantage beneficiaries living on less than \$24,000 a year and over 20% of Medicare Advantage enrollees also eligible for Medicaid.

The HIT could impact not only the cost of health care but the availability of supplemental benefits like dental, vision, and hearing, as well as supplemental benefits targeted to those with chronic conditions or social risk factors that affect one's health. The tax could impact the pace of innovative care treatment models that identify those at risk, seek to prevent illnesses, manage chronic care conditions and slow disease progression. These care models include a focus on primary care and offer ways to address social determinants of health, such as access to food and nutrition, transportation, exercise and socialization programs, and care in the home.

## Support for Delaying the HIT

Recognizing the negative impact of the HIT on families, small businesses, and seniors, nearly 350 Democrats and Republicans in Congress voted to suspend the HIT for 2019. The moratorium prevented the scheduled multi-billion tax from being collected for one year, and saved beneficiaries an estimated 2% in premium increases. Suspending the HIT is one of the most direct ways for Congress to provide financial relief for seniors and disabled beneficiaries and maintain access to the quality affordable health care and prescription drug coverage they have chosen.