

Health Insurance Tax (HIT) Resumes 2020

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The Health Insurance Providers Fee, also known as HIT (Health Insurance Tax), is scheduled to resume for 2020. The tax, enacted under the ACA and imposed on health insurance carriers, was suspended for 2019. Plan sponsors can once again expect to see this tax reflected in rates going forward.

The Health Insurance Tax

On September 3rd, 2019, the IRS published Notice 2019-50¹, stating that over \$15.5 billion is the amount that will be collected from health insurers during 2020 under the Health Insurers Providers Fee (also known as Health Insurance Tax). The fee was suspended during 2019 but is scheduled to resume in 2020.

The HIT is a tax imposed on health insurance carriers that was enacted under the ACA. The insurance industry estimates that the HIT adds between 1.5% and 3% to fully insured health plan premiums. However, the tax paid by any particular carrier is based on a complex formula that takes into account the size of the carrier, its market share, and other factors, so there is no way to know exactly how much tax each carrier will pay.

Carriers take different approaches to communicating the HIT to employers. Some provide an estimate of the amount of tax they expect to pay and present that as a separate line item in the group insurance bill. Others simply treat the HIT as part of their administrative expenses, as they would with any other corporate tax liability.

Summary

Although the HIT is not assessed to employer group health plan sponsors, employers should expect to see rate increases due to this tax being assessed to health insurance carriers for 2020.

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<https://www.irs.gov/pub/irs-drop/n-19-50.pdf>