FCA INTERNATIONAL LEGISLATIVE Update
Building a Better Future for Our Families

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Congressional Overview

Last week, the House narrowly adopted a budget resolution by a vote of 216-212. This cleared the way for the House and Senate to introduce and advance tax reform legislation. House Ways and Means Committee Chairman Kevin Brady (R-TX) revealed his tax reform legislation on Wednesday, with a mark-up of the bill as early as the week of Nov. 6. In the Senate, leadership has indicated the Senate Finance Committee could consider their version of the bill the week of Nov. 13. Both the House and Senate Republican leadership say they're on track to pass the bill by Thanksgiving.

The legislation unveiled by Rep. Brady this week is 429 pages long. The package sets the individual income tax bracket at 39.6 percent for tax filers with greater than $1 million in annual income, leave existing deductions for pre-tax 401(k) retirement contributions unchanged, and maintains existing deductions for property taxes, though with a cap on allowable write-offs. On the business side, lawmakers say the corporate rate would be cut to 20 percent in the first year rather than phased in and a new 25 percent rate would be applied to a portion of "pass through" business income, but not the entire amount. The measure would eliminate the deductibility of new interest expense for debt incurred by publicly traded or subchapter C corporations but not smaller businesses.

Trump Administration Proposes Shifting More Health Insurance Exchange Responsibility to States in 2019

The Trump administration is proposing a series of changes to the health insurance exchanges that would transfer more responsibility to the states in 2019. The Centers for Medicaid and Medicare Services' (CMS) proposed rule would place more authority in the hands of state regulators on key aspects of the 2010 healthcare law, such as essential health benefits, how much insurers spend on medical claims and the certification of health plans.

Open enrollment for 2018 began on Nov. 1. The CMS said its proposal was designed to make insurance more affordable. It would allow states to select a new benchmark plan, which establishes the state's 10 essential health benefits, for future years unless they want to keep their current system.

Under the Affordable Care Act, states were asked to model benefits after those in a plan already operating in the state. The previous policy defaulted to the largest small group plan if the state did not choose one each year. The agency is considering implementing a federal default list of benefits in the future to "better align medical risk in insurance products by balancing costs to the scope of benefits."

The proposed rule would give states more flexibility over the small business exchange. The agency is also proposing to push a mandatory review of premium increases from a 10 percent threshold to 15 percent. The rate review system was designed to ensure that premium hikes were "reasonable."

Additionally, the CMS is proposing to remove requirements that each exchange have at least two organizations, known as navigators, that help consumers enroll in coverage, including the requirement that one be a "community and consumer focused non-profit." The rule would also call for ending a requirement that the navigator must be located in the exchange's geographic area. The proposal would expand the category of expenses that plans can include under their so-called medical loss ratio, which determines how much insurers spend on medical claims.

The Trump administration has also taken steps to update the operation of Healthcare.gov, debuting a pilot that would connect consumers directly to agents and brokers and streamlining the plan display according to premium. Consumers were able to start previewing plans last week, continuing a tradition from the Obama administration.