



update

Public Sector Benefits Compliance News

November 12, 2015

Bipartisan Budget Act of 2015 Affects Health Benefits

On November 2, 2015, President Obama signed into law the Bipartisan Budget Act of 2015 (Act).¹ The Act includes a two-year budget agreement that raises the debt limit until March 15, 2017, sets the federal government budget levels for fiscal 2016 and 2017 and raises spending caps for both defense and nondefense spending. In addition to numerous other provisions, it also adjusts the 2016 Medicare Part B premium and repeals the Affordable Care Act's auto-enrollment rule.² The spending increases incorporated in various provisions of the Act are paid for (in budget terms) in part by changes to retirement plan rules. This *Update* discusses the health benefit provisions.



New Law Highlights:

- Medicare premiums are adjusted.
- The Affordable Care Act's auto-enrollment requirement is repealed.

Health Benefit Provisions

The Act makes changes to Medicare and the Affordable Care Act.

Medicare Premiums for 2016

The Act adjusts the Medicare Part B premium because about 30 percent of Medicare beneficiaries were scheduled to face a significant premium hike in 2016 (from \$104.90 per month to \$159.30 per month). Under current law, most Medicare beneficiaries are "held harmless" from Part B premium increases when there is no increase in Social Security payments (as is the case for 2016), so their premium will remain at the current rate of \$104.90. For those who are not "held harmless" (because they do not have their Part B premiums withheld from Social Security and their Part B premiums are paid some other way, such as by Medicaid, or they are high-income beneficiaries or new enrollees), the Act sets a new 2016 Part B premium at \$120.00 instead of \$159.30. However, to make up the shortfall from a lower premium increase for those paying an increase, the general Treasury will loan money to the Supplemental Medical Insurance Trust Fund. Consequently, Medicare beneficiaries who would have to pay \$120.00 will pay an additional monthly surcharge until the loan is repaid. On November 10, 2015, the Centers for Medicare & Medicaid Services (CMS) announced that the basic surcharge will be \$1.80 for 2016, making the Part B premium for this group \$121.80 for 2016.

¹ When the Bipartisan Budget Act of 2015 (Public Law 114-74) is available online, it will be accessible from the [Government Publishing Office website](#).

² The Affordable Care Act is the shorthand name for the Patient Protection and Affordable Care Act (PPACA), Public Law No. 111-48, as modified by the subsequently enacted Health Care and Education Reconciliation Act (HCERA), Public Law No. 111-152.

For high-income Medicare beneficiaries whose income exceeds \$85,000 (\$170,000 for married couples filing a joint income tax return), the amount of the surcharge will be higher.³ If there is no Social Security cost-of-living adjustment in 2017, the Act will repeat this process.

Repeal of the Affordable Care Act's Auto-Enrollment Rule

The Affordable Care Act amended the Fair Labor Standards Act to require employers with more than 200 employees to automatically enroll new full-time equivalents into one of the employer's health plans, and to automatically continue enrollment of current employees. Implementation of the provision has been indefinitely delayed by the Department of Labor, and many commentators had raised concerns as to whether it was administratively feasible. The Act repeals the auto-enrollment rule in its entirety.

Implications for Plan Sponsors

For plan sponsors that provide retiree health, the 2016 Medicare premiums and deductibles will be addressed in a separate *Update*. Large employers that have been concerned about the Affordable Care Act's new auto-enrollment requirements no longer need to be concerned now that the requirements are repealed.

³ The Medicare premiums for high-income beneficiaries were published on November 10, 2015, and will be addressed in a separate *Update*.

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