



February 6, 2020
For Immediate Release
Contact: Tara Bradshaw
202-441-8255

STATEMENT ON PROPOSAL TO TAX EMPLOYER-PROVIDED HEALTH CARE COVERAGE

The **Alliance to Fight the 40 | Don't Tax My Health Care** (“the Alliance”) calls on the Bipartisan Policy Center (“BPC”) to rethink a proposal that would tax the health care coverage of working Americans.

The Alliance appreciates BPC’s efforts to explore bipartisan policy solutions to address today’s pressing health care challenges through its recent report, *Bipartisan Rx for America’s Health Care*. However, while we agree that sound policy solutions should improve health care quality, lower costs, and enhance coverage and delivery, we disagree that their recommendation to replace the recently repealed “Cadillac Tax” with a policy that would cap the income-tax exclusion for employer-provided insurance works to meet this goal. Instead, the proposal would undermine the foundation of our American health care system while imposing a direct tax increase and higher costs for employees, disproportionately impacting populations that most rely on this care.

The employer-sponsored health care system is stable, efficient, and effective in covering more than 178 million Americans,¹ leading to better health outcomes, lower costs, and more satisfied individuals. Employers are the bedrock of a health care system that provides quality health coverage, and this coverage should be the foundation of any health care reform solution.

The employee tax exclusion for employer-sponsored health coverage is a bargain for families and the federal government. For every \$1.00 of foregone tax revenue, employers spend approximately \$4.45 to finance health benefits for workers and their families.² It is a highly efficient way to provide vital financial protection to millions of Americans, which would cost significantly more if either individuals or the federal government had to pay for that coverage directly.

As Congress and other stakeholders looks to make coverage more sustainable and affordable, it must also avoid destabilizing the employer-sponsored system. Unfortunately, the BPC proposal would do just that. “Capping the employee exclusion” would:

¹U.S. Census, “[American Community Survey Tables for Health Insurance Coverage](#),” 2018.

² American Benefits Council, “[American Benefits Legacy: The Unique Value of Employer Sponsorship](#),” 2018

- **Result in a direct tax increase and higher costs for employees.** The Congressional Budget Office (CBO) estimated that a similar proposal to cap the exclusion at the 75th percentile of premiums (below the 80th percentile suggested by BPC) would increase taxes on working Americans by an estimated \$57 billion in 2028. Such a proposal would also lead to higher deductibles and greater out-of-pocket costs.^{3,4}
- **Destabilize the employer-based market.** The proposal would reduce the appeal of employment-provided health insurance and cause fewer employers to offer coverage, sending more people into the nongroup market, leading more Americans to enroll in Medicaid or the Children's Health Insurance Program, and resulting in more uninsured Americans.⁵
- **Disproportionately impact chronically ill Americans.** This proposal would increase the financial burden on people with substantial health problems, as it would lead employers and workers to shift to plans with higher deductibles and more limited benefits, increasing costs for those who use the most services. With employees paying more out of pocket, this would also lead some to seek less care and potentially worsen their health outcomes.⁶
- **Target older workers, women, and those in high-cost areas and industries.** The proposal would disproportionately impact certain high-cost populations such as those working for employers with higher numbers of older workers, women, or those with larger families or family members with chronic or acute illnesses.^{7 8} It would also target employees working in high-cost areas or in specific industries, such as manufacturing or law enforcement, resulting in the greatest tax increases for these population through no fault of their own.

The Alliance urges the BPC, Congress, and other stakeholders to consider these harmful impacts of capping the income-tax exclusion for employer-provided coverage in their future policy efforts. The Alliance stands ready to work with stakeholders to support solutions that improve health care quality, lower costs, and enhance coverage and delivery. Our broad-based coalition of businesses, patient advocates, private sector and public sector employer organizations, consumer groups, and other stakeholders hope to work hand-in-hand to ensure that employer-provided health coverage remains an effective and affordable option for working Americans and their families.

###

³ AHPI, "[Benefits of the Tax-Preferred Status of Employer-Sponsored Health Insurance.](#)"

⁴ Congressional Budget Office, "[Options for Reducing the Deficit: 2019 to 2028.](#)" December 13, 2019.

⁵ Ibid.

⁶ Ibid.

⁷ Mercer, "Capping the Employee Tax Exclusion for Employer Coverage: Projection of the Long-term Impact" February 2017.

⁸ Ascende, "[Not Your Father's Cadillac: The Impact of the Cadillac Tax on the Energy Industry.](#)"