

ALLIANCE TO FIGHT THE 40

Stop the 40% tax on health benefits



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In Case You Missed It

NPR: Individuals' health care costs now "biggest health issue" Repeal of 'Cadillac Tax' would help working Americans

Following the 419 to 6 vote in the House to fully repeal the 40 percent tax on employer-provided health care coverage, NPR's Julie Rovner featured the "Cadillac Tax" in an August 14 article for NPR and noted that "politics of health care are changing," which paves the way for Senate action to fully repeal this tax.

Although slated to hit in 2022, the need to plan benefits far in the future puts employers in the untenable situation of making changes to avoid this looming tax. The "Cadillac Tax" is driving up out-of-pocket costs and deductibles for the more than 181 million Americans with employer-provided health care coverage.

'Cadillac Tax' On Generous Health Plans May Be Headed For Repeal

August 14, 2019
Julie Rovner

The politics of health care are changing. And one of the most controversial parts of the Affordable Care Act — the so-called "Cadillac tax" — may be about to change with it.

The Cadillac tax is a 40% tax on the [most generous employer-provided health insurance plans](#) — those that cost more than \$11,200 per year for an individual policy or \$30,150 for family coverage. It was a tax on employers and was supposed to take effect in 2018, but Congress has delayed implementation twice.

And the House, now controlled by Democrats, recently voted overwhelmingly — [419-6](#) — to repeal that part of the ACA entirely. A Senate companion bill is bipartisan and now has a total of 61 co-sponsors — more than enough to ensure passage.

The tax was always an unpopular and controversial part of the 2010 health law, because the expectation was that employers would cut benefits to avoid the tax. Still, ACA backers initially said the tax was necessary to help pay for the law's nearly \$1 trillion cost and help stem the use of what was seen as potentially unnecessary care.

In the ensuing years, however, public opinion has shifted decisively, as premiums and out-of-pocket costs for patients have soared. **Now the biggest health issue is not how much the nation is spending on health care, but how much individuals are.**

"Voters deeply care about health care, still," says Heather Meade, a spokeswoman for the [Alliance to Fight the 40](#), a coalition of business, labor and patient advocacy groups urging repeal of the Cadillac tax. "But it is about their own personal cost and their ability to afford health care."

[Stan Dorn](#), a senior fellow at Families USA, [recently wrote](#) in the journal Health Affairs that the backers of the ACA thought the tax was necessary to sell the law to people concerned about its price tag, and to cut back on overly generous benefits that could drive up health costs. But transitions in health care, such as the increasing use of high-deductible plans in the workplace, make that argument less compelling, he said.

"Nowadays, few observers would argue that [employer-sponsored insurance] gives most workers and their families excessive coverage," he wrote.

The possibility that the tax might be implemented has been "casting a statutory shadow over 180 million Americans' health plans, which we know, from HR administrators and employee reps in real life, has added pressure to shift coverage into higher-deductible plans," says Rep. Joe Courtney, D-Conn. And that, he adds, "falls on the backs of working Americans.

Support or opposition to the Cadillac tax has never broken down cleanly along party lines. For example, economists from across the ideological spectrum [supported its inclusion](#) in the ACA, and many continue to endorse it.

"If people have insurance that pays for too much, they don't have enough skin in the game. They may be too quick to seek professional medical care. They may too easily accede when physicians recommend superfluous tests and treatments," wrote N. Gregory Mankiw, an economics adviser in the George W. Bush administration, and Lawrence Summers, an economic aide to President Barack Obama, [in a 2015 column](#) in The New York Times. "Such behavior can drive national health spending beyond what is necessary and desirable."

At the same time, however, the tax has been bitterly [opposed by organized labor](#), a key constituency for Democrats. "Many unions have been unable to bargain for higher wages, but they have been taking more generous health benefits, instead, for years," says Robert Blendon, a professor at the Harvard School of Public Health who studies health and public opinion.

Now, unions say, those benefits are disappearing, while premiums, deductibles and other cost-sharing moves are rising as employers scramble to stay under the threshold for the impending tax.

"Employers are using the tax as justification to shift more costs to employees, raising costs for workers and their families," said a [letter to members of Congress](#) from the Service Employees International Union in July.

Deductibles in health insurance plans have been rising for a number of reasons, the possibility of the tax among them. According to a [2018 survey](#) by the federal government's National Center for Health Statistics, nearly half of Americans under age 65 (47%) had high-deductible health

plans. Those are plans that have deductibles of at least \$1,350 for individual coverage or \$2,700 for family coverage.

It's not yet clear whether the Senate will take up the House-passed bill, or one like it.

The senators leading the charge in that chamber — Mike Rounds, R-S.D., and Martin Heinrich, D-N.M. — have [already written](#) to Senate Majority Leader Mitch McConnell to urge him to bring the bill to the floor following the House's overwhelming vote.

"At a time when health care expenses continue to go up, and Congress remains divided on many issues, the repeal of the Cadillac Tax is something that has true bipartisan support," their letter said.

Still, there is opposition to repealing the tax. A [letter to the Senate on July 29](#) from health care economists and others argued that implementing it, instead, would "help curtail the growth of private health insurance premiums by encouraging employers to limit the costs of plans to the tax-free amount." That letter also pointed out that repealing the tax "would add directly to the federal budget deficit, an estimated \$197 billion over the next decade, according to the Joint Committee on Taxation."

If McConnell does bring the bill up, there is little doubt it will pass, despite support for the tax from economists and budget watchdogs.

"When employers and employees agree in lockstep that they hate it, there are not enough economists out there to outvote them," says former Senate GOP aide [Rodney Whitlock](#), now a health care consultant.

Harvard professor Blendon agrees. "Voters are saying, 'We want you to lower our health costs,' " he says. The Cadillac tax, at least for those affected by it, would do the opposite.

[Kaiser Health News](#) is a nonprofit, editorially independent program of the Kaiser Family Foundation, and is not affiliated with Kaiser Permanente.

***The Alliance to Fight the 40 | Don't Tax My Health Care** is a broad-based coalition comprised of businesses, patient advocates, employer organizations, unions, local governments, health care companies, consumer groups and other stakeholders that support employer-provided health coverage. This coverage is the backbone of our health care system and protects more than 181 million Americans. The Alliance seeks to repeal the 40 percent "Cadillac Tax" on health benefits and to prevent increased income taxes on workers, families and retirees who rely on employer-provided health coverage. The Alliance is committed to ensuring that employer-provided coverage remains an effective and affordable option for working Americans and their families.*

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