



For Immediate Release

February 9, 2016

Contact: [Tara Bradshaw](#) (202) 467-4306

Alliance to Fight the 40 Opposes FY 2017 Budget Provision to Tweak the “Cadillac Tax”

Washington, D.C. -- The Alliance to Fight the 40, a broad-based coalition seeking to repeal the 40% tax on employee health benefits, today urged Congress to repeal the “Cadillac Tax,” as the proposal included in the President’s FY 2017 fails to address the numerous structural problems with the tax.

“Congress must repeal the ‘Cadillac tax’ to protect health benefits for 175 million hardworking Americans, retirees, and their families,” said James A. Klein, President of the American Benefits Council. “The President’s proposal acknowledges that the tax is seriously flawed, but takes extremely modest steps to address the problem,” said Klein.

Specifically, the proposal provides a geographic adjuster to the threshold rates in states where the average premium for “gold” coverage on the state’s individual health insurance marketplace would exceed the current-law “Cadillac Tax” threshold. The adjusted rate in those states would be set at the level of average gold premium.

“Even if that change were made, it would not address the terribly unfair impact of the tax on plans that are expensive simply because they cover a large number of women, older or disabled employees and families whose members have chronic conditions or catastrophic health events. The proposal merely requests a study of the impact of the tax on sick workers,” noted Klein.

“This flawed tax allows people obtaining coverage in the individual market exchanges substantially richer benefits than what may be offered to people getting coverage from their employers,” said Klein. The “Cadillac Tax” thresholds include a variety of health care benefits beyond premiums. On-site medical clinics, employee assistance programs, wellness programs and employer and employee HRA/HSA/FSA contributions all count toward the “Cadillac Tax” thresholds. The budget proposal would compare the premium-only price of coverage sold in the individual exchanges to the more comprehensive “Cadillac Tax” thresholds, forcing employers to offer skimpier benefits to stay below the new thresholds.

Employers have been engaged in innovative health care cost control for decades. By contrast, this proposal does nothing to reduce the true drivers of increasing health care costs.

“Finally, the President’s budget continues to rely on the erroneous assumption that workers will see wage increases commensurate to the health benefit cuts they will suffer. To the contrary, employer surveys continue to show that employers are reluctantly making benefits reductions now. Yet the Administration has presented no actual evidence that wages will rise in response to benefit cuts,” said Klein.

The Alliance to Fight the 40 is a broad-based coalition comprised of public and private sector employer organizations, consumer groups, patient advocates, unions, health care companies, businesses and other stakeholders that support employer-sponsored health coverage. This coverage is the backbone of our health care system and protects over 175 million Americans across the United States. The Alliance seeks to repeal the 40 percent tax on employee health benefits to ensure that employer-sponsored coverage remains an effective and affordable option for working Americans and their families.

For more information on the 40% Tax on Health Benefits, visit our website at www.fightthe40.com or follow us on Twitter @Fightthe40.

###