

ALLIANCE TO FIGHT THE 40

Stop the 40% tax on health benefits

ACUTE AND CHRONICALLY ILL WORKERS CAN'T AFFORD THE "CADILLAC TAX"

Today, 175 million working Americans rely on health insurance from their employer.¹ This includes employees and dependents with acute and chronic illnesses that rely on this health insurance for the care they need.

What is the "Cadillac Tax?"

The "Cadillac Tax" is an excise tax of 40% on employer-sponsored health coverage that exceeds certain benefit thresholds – projected to be \$10,800 for self-only coverage and \$29,100 for family coverage in 2020. Proponents of this tax sold it as a tax that would target only a small number of "overly generous" plans. However, nonpartisan analyses reveal that it will also hit modest health plans simply because they are offered in high-cost areas; or because they cover large numbers of people whose health costs are typically higher than average —individuals with chronic disease, women, older and disabled workers, pre-Medicare retirees, families, and individuals experiencing catastrophic health events.

Health Insurance Coverage for the Chronically Ill Targeted by the Cadillac Tax

The 40%tax penalizes employers with higher numbers of workers who have chronic diseases. A study by the Economic Policy Institute found that because the tax is mainly focused on high premiums, not the type of coverage, companies that tend to pay higher premiums – such as employers with a high proportion of sick workers – could wind up paying the tax even though their benefits are not particularly generous².

According to the CDC, "as of 2012, about half of all adults— 117 million people— had one or more chronic health conditions"³ such as diabetes, cancer, and heart disease. Those with chronic conditions depend on their health coverage to help manage their diseases.

In order to avoid the "Cadillac Tax," employers will be forced to reduce benefits, increase deductibles, and out-of-pocket costs. Employers have already been forced to start making these changes. According to a recent Wells Fargo Survey, "half of the employers in the study said they will continue to make changes to their plans either this year or in 2017."⁴ The shift toward higher out-of-pocket expenses that is being driven by the 40% tax is likely to affect those with chronic conditions in particular.

"The 'Cadillac Tax' restricts or removes access to appropriate care plans and shifts more out-of-pocket costs to chronically ill patients, putting the cost of necessary treatment so high it is out of reach for many. To put it simply, the Tax is tantamount to the denial of care, increasing the likelihood that the most vulnerable among us will simply forgo treatment."

Marcia Boyle, President, Immune Deficiency Foundation

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Rising health care costs are a concern for all Americans, even if they have insurance. If the "Cadillac Tax" is implemented, chronically ill workers may be forced to forgo health services due to increased cost-sharing and deductibles or reduced access to specialists. This tax on the sick must be repealed.

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¹ [Smith, J. and Medalia, C. \(September 2015\). Current Population Reports: Health Insurance Coverage in the United States 2014.](#)

² Economic Policy Institute, "Increased Health Care Cost Sharing Works as Intended. It burdens patients who need care the most," May 8, 2013, <http://www.epi.org/files/2013/increased-health-care-cost-sharing-works.pdf>

³ [CDC, "Chronic Disease Overview"](#)

⁴ Wells Fargo, "[White Paper: Employee Benefits Trend Survey](#)," January 2016