

ALLIANCE TO FIGHT THE 40

Stop the 40% tax on health benefits



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

Today, [181 million Americans](#) rely on health insurance from an employer. 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 a 40% tax on employer-sponsored health coverage that exceeds certain benefit thresholds – projected to be \$11,100 for self-only coverage and \$29,750 for family coverage in 2022. Proponents of this tax claimed it 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 are forced 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 generous.

Treatment of chronic conditions can be very costly. According to the [Centers for Disease Control](#) (CDC), 86% of the nation's \$2.7 trillion annual health care expenditures are for people with chronic and mental health conditions. In addition, a 2017 Rand Corp. [study](#), as of 2014, 60% of U.S. adults had at least one chronic condition, such as diabetes, cancer, heart disease, stroke, obesity, and arthritis, while 42% (or 100 million people) had more than one. Lockton estimates that 13% of the population is driving 82% of health care spending.

In order to avoid the "Cadillac Tax," employers will be forced to reduce benefits, increase deductibles, and out-of-pocket costs just because their health plan covers people with costly health conditions. Employers have already been forced to start making these changes. According to a 2016 Wells Fargo [survey](#), "half of the employers in the study said they will continue to make changes to their plans." 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.

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.

"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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