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CLOCK TICKING FOR CONGRESS TO PROTECT HEALTH COVERAGE FOR 178 MILLION AMERICANS

Congress Must Act Before the End of the Year to Address the "Cadillac Tax"

Washington, DC— Today the **Alliance to Fight the 40 | Don't Tax My Health Care**, a broad-based coalition committed to repealing the 40 percent "Cadillac Tax" on employer-sponsored health benefits issued the following statement urging swift Congressional action to address the 40% "Cadillac Tax" that threatens to reduce health care coverage and drive up costs on 178 million Americans:

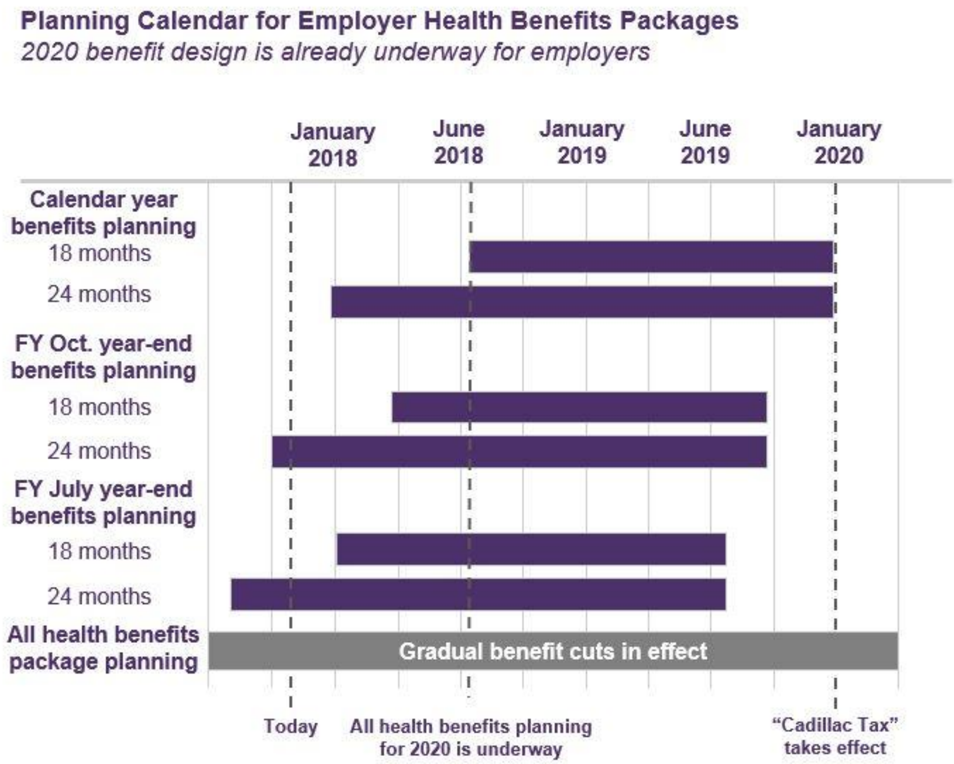
"The clock is ticking and Congress must act now to address the 'Cadillac Tax'. Although the tax does not become effective until 2020, it is already having a negative impact. Employers typically plan their benefits18 to 24 months ahead of implementation. That means, employers are making decisions right now on plan designs for 2020," said James A. Klein, president of the American Benefits Council.

"Repealing the 'Cadillac Tax' has strong bipartisan support in the Senate and House, and we urge Congress to address this tax before the end of the year."

Why the "Cadillac Tax" Must Be Addressed Now

Congress must act now to address the looming 40% "Cadillac Tax" on employer-sponsored health plans. Although the 40% tax is slated for 2020, employers are making changes to their health plans today.

- As part of the benefits planning process, many employers work with insurers and benefits firms to build health benefits packages for employees 18-24 months in advance, which means employers are making changes to plans that will raise health care costs for working families now.
- Employers try to make gradual changes to avoid sudden cost-increases for employees. This means employers are already very reluctantly making changes to health coverage, which include reducing benefits, eliminating health plan choices, narrowing networks, decreasing health savings account contributions, eliminating spousal coverage, wellness plans and on-site medical clinics, and increasing deductibles for employees.
- Recent estimates from Mercer suggest 30-40% of current health plans could be subject to the "Cadillac Tax" in 2020.



Benefit Design Changes Underway to Avoid the Tax

Recent studies by the American Health Policy Institute[1] and Aon Hewitt[2] indicate that significant numbers of employers are already modifying their plan designs to avoid paying the 40% tax. The Aon Hewitt report found that 62% of employers who determined they would be affected by the tax were planning to make significant changes to their health plans ***three years*** prior to the tax taking effect (i.e. 2015 changes for the original 2018 implementation date). Since the effective date was delayed until 2020, that means plan changes are being made ***now*** for the implementation date which is a mere ***two years*** away. These projected changes employers are making to avoid the tax, as outlined in the report include:

- 33% increasing out-of-pocket costs
- 14% reducing benefits for pre- and post-age 65 retirees
- 14% significantly reducing spousal eligibility or subsidies through mandates or surcharges
- 5% implementing narrow provider networks
- 31% limiting FSA, HSA, and/or HRA contributions

Immediate Consequences of Waiting to Repeal the "Cadillac Tax"

- **Increasing out-of-pocket costs for employees**: Increasing the amount of out-of-pocket expenses an employee pays is the main way to decrease the cost of the plan, upon which the "Cadillac Tax" is calculated. Increased cost-sharing will force workers to pay more for their health care

[1] American Health Policy Institute, "ACA Excise Tax: Cutting Family Budgets, Not Health Care Budgets," October 2015, http://www.americanhealthpolicy.org/Content/documents/resources/AHPI_Excise_Tax_October_2015.pdf
[2] Aon Hewitt, "New Aon Hewitt Survey Shows Majority of Companies Taking Immediate Steps to Minimize Exposure to Excise Tax," October 16, 2014, http://aon.mediaroom.com/2014-10-16-New-Aon-Hewitt-SurveyShows-Majority-of-Companies-Taking-Immediate-Steps-to-Minimize-Exposure-to-Excise-Tax.

without enhancing the value of coverage. Higher cost-sharing leads to lower and middle-class families unable to afford their insurance. As deductibles rise, many middle income families, who *have* insurance, will not be able to afford to access the medical system due to large out-of-pocket costs. These changes will especially affect the health plans of employers with sick workers, more women, larger families, or those living in higher cost parts of the county.

- **Eliminating programs employers use to control costs and keep workers healthy:** Plan features that are designed to promote better health and reduce costs – such as employee assistance plans, on-site health clinics, flexible spending accounts, health reimbursement arrangements, and both employer and employee pre-tax contributions to health savings accounts – are counted toward the thresholds that trigger the tax and may be some of the first benefits to go. Even the cost of preventive benefits such as cancer screenings and immunizations is included, despite the fact that the Affordable Care Act requires such benefits to be provided with no employee cost-sharing.
- **Potential cost increases for the federal government:** Employer-sponsored insurance is more cost-effective than government health insurance programs. A study of health care expenditures by the American Health Policy Institute found that the federal government is spending nearly three times as much on health care for its beneficiaries as employers are spending to cover their employees. .So waiting longer to repeal or further delay the tax could result in more employees choosing options that are more expensive for individuals and for the federal government as private employer-sponsored insurance becomes less affordable.

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-sponsored health coverage. This coverage is the backbone of our health care system and protects over 178 million Americans. The Alliance seeks to repeal the 40% "Cadillac Tax" on health benefits and work with Congress and the Administration to prevent increased income taxes on workers, families and retirees who rely on employer-sponsored health coverage. The Alliance is committed to ensuring that employer-sponsored coverage remains an effective and affordable option for working Americans and their families.*

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