EMPLOYER AND EMPLOYEE GROUPS JOIN FORCES TO LAUNCH
NEW ALLIANCE TO FIGHT THE 40 PERCENT TAX ON HEALTH BENEFITS
More than 150 Million Americans’ Health Care Coverage at Risk

WASHINGTON—Today, a diverse group of public sector and private sector employers, unions, and other stakeholders that support employer-sponsored health coverage announced the launch of “The Alliance to Fight the 40: Stop the 40% Tax on Health Benefits” ("Fight the 40"). The Alliance is dedicated to the common goal of repealing the 40% tax on employee health benefits (the so-called “Cadillac tax”) to ensure that employer-sponsored health coverage remains a meaningful and affordable option for working Americans.

“This tax does not hit ‘Cadillac’ plans. It hits ordinary plans that are expensive simply because they cover many people whose health costs are generally higher than average – women, older and disabled workers and families who experience catastrophic health events,” said James A. Klein, President of the American Benefits Council.

"Counties must be able to continue to offer competitive health benefits to county employees who serve more than 300 million residents nationwide," said National Association of Counties President Sallie Clark. "Not only would the 40% tax hinder our efforts to attract and retain quality employees, but it would also have significant impacts on county budgets and place additional burdens on taxpayers.”

"Good health insurance is crucial for hospitality workers to have even the faintest hope for a middle class life. The 40% tax on health benefits will tax low-wage workers out of the middle class. It must be repealed,” said UNITE HERE President D. Taylor.

"All electric cooperatives in the United States could be subject to this 40% tax; not because we have 'Gold-Plated Cadillac Plans,' but because our employees live in rural communities where limited access makes the cost of that health care disproportionately higher than in urban areas,” said Jo Ann Emerson, CEO of the National Rural Electric Cooperative Association. "No co-op, whether they provide health insurance through NRECA’s Group Benefits Trust or from another source, should be penalized for 'doing the right thing' for their employees."

"This tax strikes at the heart of the employer sponsored health care system, which provides coverage today to over 150 million Americans,” said Kate Hull, Executive Director, Corporate Health Care Coalition. “Employers have worked hard to provide efficient, affordable, quality health care to their plan participants. As currently structured, the excise tax discourages innovation by penalizing employers for using tools to control costs and improve the health of their workforce - from on-site medical clinics to employee wellness programs and other initiatives."

The 40% tax on employer-sponsored health coverage was included in the Affordable Care Act to address a perceived overconsumption of healthcare and because it was “scored” to raise revenue. It is a non-deductible tax of 40% of the value of employer-sponsored health coverage that exceeds certain
benefit thresholds – initially, $10,200 for self-only coverage and $27,500 for family coverage in 2018 (with limited adjustments). It was initially thought the tax would affect only a few select plans. But in reality employers are already reducing benefits to stay below the tax thresholds.

While the 40% tax was never intended to capture the majority of employers, a 2014 survey by Towers Watson found 48% of large employers will hit its thresholds in 2018, and that rises to 82 percent by 2023.

As more plans fall subject to the tax over time, it will lead to a reduction in employer-sponsored coverage and an increase in employee cost sharing – the exact opposite of the ACA’s stated goals. This will negatively affect tens of millions of working American families. For these reasons, the Alliance to Fight the 40 came together to repeal this damaging tax.

Members of the Fight the 40 are deeply concerned about the impact the 40% tax will have on workers, businesses, and the economy:

“This tax endangers and will deteriorate health benefits for American workers and their families,” said Matt Manders, President U.S. Markets & Global Health Care Operations, Cigna. “It will hit a broad spectrum of plans, not just those with very rich benefits. It also reduces incentives for employers to establish savings vehicles that make it easier for employees to pay for their health care and save for retirement. The ultimate result of this tax will be to reduce coverage and benefits to workers across the country in a variety of professions. We know that is not the goal of the Affordable Care Act, so it is incumbent on Congress to repeal this tax.”

“As the nation’s largest national association of independent insurance agents representing a network of more than a quarter million agents, brokers and their employees, the Big ‘I’ is greatly concerned about the impact of the Affordable Care Act’s 40% tax,” said Robert Rusbult, Big “I” president & CEO. “This pernicious tax will not only hit many of our small business members and their clients starting in 2018, but over time will impact more and more individuals because the tax threshold is tied to a very slow measure of inflation. This snowball effect will do irreparable damage to the employee benefits marketplace. The Big ‘I’ fully supports repealing this damaging tax and looks forward to working with the Alliance to Fight the 40 to ensure this tax never sees the light of day.”

“Those who argue that this tax won’t affect working families or force health plans to slash benefits aren’t living in the real world,” said Terry O’Sullivan, General President, LIUNA. “The tax is a kick in the face to every hard-working, middle-class, and blue-collar American family already facing steep increases in health care costs.”

“While we appreciate the intent behind the 40% tax, it will affect far more health plans - even over the near term - than we think appropriate, and intensify the complex ACA reporting obligations with which our clients and other employers are already laboring,” said Robert Reiff, President, Lockton Benefit Group.

“The 40% tax has no upside – not only does it not actually identify plans with ‘Cadillac’-type benefits, but is structured in such a way that many employers, from the smallest Mom and Pop to the largest corporation may have to reconsider their ability to offer coverage to employees at all,” said Janet Trautwein, CEO, National Association of Health Underwriters. “Those that do continue to offer coverage will be forced to drastically reduce benefits. These actions hurt the very middle class families the ACA was designed to protect, and something has to be done now to prevent this from happening”

“Willis fully supports the efforts of the Fight the 40 Alliance on behalf of its human capital and employee benefit clients,” said Jay M. Kirschbaum, National Legal and Research Group, Human Capital Practice,
The 40% tax is intended to discourage employers from offering rich, gold-plated health benefits on a tax advantaged basis that may generate overconsumption of health care. However, the 40% tax, as passed, will eventually impact all employer plans for all employees. Organizations are being forced to revise their plans and reduce their benefits to avoid this significant and punitive tax. As result, rather than encourage employers to offer robust, substantial levels of health insurance coverage, the tax will ultimately encourage less meaningful coverage and more expensive coverage for those employees.

“Companies and benefits professionals are already preparing for the 40% tax on health benefits. This tax is a significant threat to the total rewards strategies companies utilize to attract, motivate, retain and engage employees. If it is not repealed, many companies will be forced to significantly change their health care offerings, and the value of the total rewards employers can offer to their employees will diminish. WorldatWork urges Congress to repeal this severe tax on employee benefits,” said Cara Woodson Welch, WorldatWork VP of External Affairs and Practice Leadership.

“The 40% tax is inherently unfair because it penalizes our Company for costs that are beyond our ability to control,” said Bernard Peloquin, Director, Benefits and HR Operations, Eversource Energy. “Also, the 40% tax undermines our ability to provide comprehensive health and wellness programs for our employees.”

“Millions of school teachers, custodians, cafeteria workers, and teachers’ aides don’t drive Cadillacs—but are on the verge of being hit with the Cadillac Tax,” said Brian Marshall, Superintendent, La Mesa-Spring Valley School District. “Our school district is on a fixed budget—we cannot cover the additional costs of this tax. Our only options are to pass it along to our staff, reduce health benefits, or cut back educational programming for the children. We must stop this unfair tax now, to ensure that our hardworking education professionals continue to have access to the health benefits they have worked so hard for.”

“The Council is steadfast in its commitment to preserving the tax treatment that serves as the catalyst to employer provided benefits,” said Ken Crear, President and CEO, The Council of Insurance Agents & Brokers. “The ACA’s excise tax is the biggest threat to employee health plans across the country, and consumers are losing coverage now as corporations plan for their 2018 benefit packages. If the tax becomes effective in 2018 as planned, consumers will see the erosion of their employer-sponsored benefits. The excise tax is the single biggest threat to this market, and The Council is dedicated to seeing its full repeal.”

About the Alliance to Fight the 40: Stop the 40% Tax on Health Benefits
The Alliance to Fight the 40 is a broad based coalition comprised of public and private sector employer organizations, 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 150 million Americans across the United States. The Alliance seeks to repeal the 40% 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 fightthe40.com or follow us on Twitter @Fightthe40.