BlueCross BlueShield Association

Congress Should Provide Relief from the 'Cadillac Tax' to Protect Employer Coverage

The "Cadillac tax" imposes a 40 percent tax on employer-sponsored health insurance benefits that exceed certain thresholds. The tax was initially scheduled to go into effect in 2018, but has been delayed until 2022 due to bipartisan concerns about its negative impact.

KEY FACTS

More than **170 MILLION AMERICANS** depend on employer-sponsored health coverage

The "Cadillac tax" will total **$47 BILLION** from 2022-2028

The Cadillac tax will affect: **26% OF WORKERS** in 2024 **40% OF WORKERS** in 2028

BCBSA RECOMMENDS

The "Cadillac tax" applies to fully-insured and self-insured health plans as well as health savings accounts, health reimbursement arrangements and flexible spending accounts – threatening the high-quality coverage upon which so many American families rely. Congress should further delay or repeal the 40 percent tax because it:

1 APPLIES TO A BROAD SPECTRUM OF EMPLOYER HEALTH PLANS

- The tax was supposed to apply only to a small percentage of "overly generous" health plans. However, in reality the "Cadillac tax" will affect employer health benefits that cover tens of millions of Americans, including retirees, low and moderate income families, public sector employees (including firefighters, police officers and federal employees) and small businesses.
- Since the 40 percent tax is tied to the Consumer Price Index, which is lower than healthcare inflation, every year an increasing number of moderately-priced health plans will be subject to the tax.

2 PENALIZES EMPLOYERS FOR COSTS THEY CANNOT CONTROL

- Employers cannot control key factors that could trigger the tax, such as having employees with greater healthcare needs, workforces with higher numbers of older workers and employers based in higher-cost geographic areas.
- However, the 40 percent tax will unfairly penalize employers if their employees have these characteristics.

3 IGNORES REAL HEALTHCARE COST DRIVERS

- Proponents of the tax argue that it will put downward pressure on healthcare costs, but in reality the tax merely causes employers to shift costs to employees and their families.
- Adding taxes and administrative expenses to health plans will not address the true reasons behind healthcare cost growth, which include increased spending on chronic medical conditions and high prescription drug prices. As a result of the tax, tens of millions of hard-working Americans will see reduced health coverage and increased out-of-pocket expenses, without any guarantee that the cost of healthcare will be reduced.

4 DISCOURAGES BENEFITS THAT HELP CONTROL COSTS

- The 40 percent tax applies to on-site medical clinics, certain wellness and employee assistance plans and other pre-tax health benefits that help control costs.
- This will cause health plans to hit the tax threshold earlier than expected and force health plans to reconsider these critical measures that help hold the line on costs.

The Blue Cross Blue Shield Association is a national federation of 36 independent, community-based and locally-operated Blue Cross and Blue Shield companies that collectively provide healthcare coverage for one-in-three Americans. To learn more about how BCBSA is advocating to improve healthcare for all Americans, please visit www.bcbsprogresshealth.com.

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