

The Cadillac Tax

A graphic featuring a dark banner with the text "LABOR CAMPAIGN FOR SINGLE PAYER" in white, held up by several silhouettes of people in various poses. The background is a gradient of blue and purple.

Labor Campaign for
Single Payer

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The Cadillac Tax

- *What is it?
- *What does it do?
- *Why is it so bad?
- *What do WE do?

The Cadillac Tax

What Is It?

Effective in 2018

1. It removes the tax deductibility of health care benefits above a defined threshold
2. It imposes a 40% "excise tax" on the amount above that threshold
3. It is punitive

What Is It?

What is the threshold?

- * For 2018, it is

- * \$10,200 for single plans

- * \$27,500 for family plans

- * \$27,500 for multiemployer plans

- * After 2018

- * It is indexed to inflation (CPI)

- * For the first three years it is indexed to CPI plus 1%

- * Afterwards to CPI

What Is It?

- * Excise Tax Threshold -What's wrong with this plan?
- * Historically
 - * Employer health care costs > Medical inflation > CPI
 - * Only once in the past 50 years has Medical inflation < CPI
- * Unless medical trend reverses course every employer will eventually pay the tax

What Is It?

- * Excise Tax Threshold -What's wrong with this plan?
 - * No adjustments (yet) for age or geography
 - * Adjustments for "high risk" occupations
 - law enforcement, firefighting, construction, and mining
 - * High risk does not equal high medical claims

What Is It?

- * The tax is triggered by the entire cost of the plan
 - * Includes both Employee and Employer share of premiums
 - * Includes any Health Savings Account or Flexible Spending Account amounts
 - * Narrowly defined exceptions for dental and vision plans

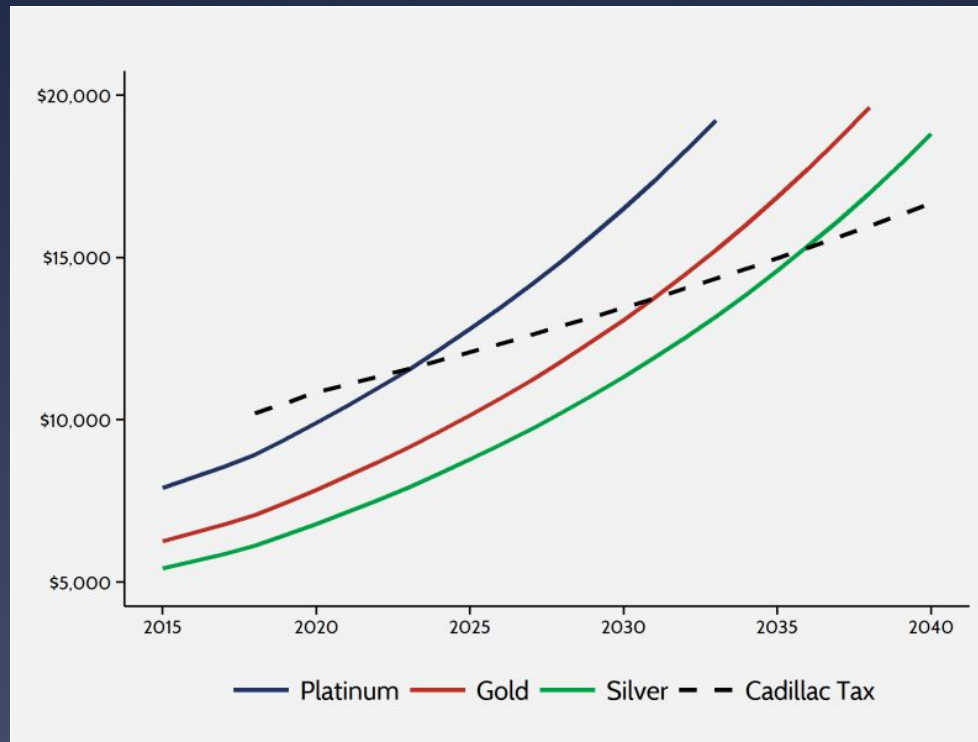
What Does It Do?

Example

	Number of Employees	Annual Premium Single Plan	Annual Premium Family Plan	Total Cost	Above threshold	Excise tax	Additional Corporate Income Tax
Plan A	200	9,000		1,800,000	0	0	?
	400		25,000	10,000,000	0	0	?
Plan B	300	12,000		3,600,000	540,000	216,000	?
	500		29,000	14,500,000	750,000	300,000	?
						516,000	

What Does It Do?

"the tax, sold as only targeting people who have high-value plans, will hit all sorts of people."



Individual market premiums projected relative to the 'Cadillac Tax' threshold over the next 35 years. Source: American Action Forum.

What Does It Do?

- * Who pays?
 - * Insurers
 - * Sponsors of self-insured plans
- * The government's revenue assumptions assume that employers will offer workers higher pay to cover their increased out of pocket expenses and that income will be taxable.



What Does it Do?

- * It will hit all plans eventually
- * It shifts cost to employees
- * The only way to lower the total cost of the plan is to shift more service costs onto workers
 - * Increase deductibles
 - * Increase co-pays
 - * Restrictive networks
 - * High deductible plans
- * Increased employee premiums will NOT solve the problem
- * When public employers pay the excise tax, it will increase taxes
 - * Be careful about the backlash

Why Is It So Bad?

It is based on fundamentally flawed assumptions

1. Health Care benefits should be considered as wages
2. Consumers paying more means lower overall health care costs
3. The excise tax is needed to fund the ACA

Flawed Assumption #1

Health care benefits are wages

- *Wrong! Wrong! Wrong!
- *Health care is not a reward, it is a right
- *The tax deduction supports a social goal

Flawed Assumption #2

Consumers should pay more for health care to save the system money

- * Wrong –
- * Consumers do spend less, but not wisely
- * They spend less on preventative care; more on acute care

Flawed Assumption #3

The excise tax is needed to fund the ACA

- * CBO Revenue estimates have declined from \$137B to \$87B
- * The revenue estimates assume that employers will offer workers higher pay to cover their increased out of pocket expenses and that income will be taxable.
- * Why not?
 - * A Xanadu Tax - a 40% excise tax on the profits of pharmaceutical companies
 - * A Rolls Royce Tax – a 40% excise tax on the salaries of health insurance CEO's

What do WE do?

- * Abolish the Cadillac Tax
- * Remove basic health care from collective bargaining
- * Adopt a single payer health care system

What do WE do?

Abolish the Cadillac Tax

- * Bi-Partisan support
- * Support by the Chamber of Commerce
- * Alliance to Fight the 40



What do WE do?

Alliance to Fight the 40

- * American Benefits Council
- * The Blue Cross Blue Shield Association
- * California Schools VEBA (VEBA)
- * Cigna
- * The Council of Insurance Agents and Brokers
- * Express Scripts
- * The Blue Cross Blue Shield Kansas City Power and Light (KCP&L The Laborers' International Union of North America (LIUNA
- * Mercer
- * The National Association of Counties(NACo)
- * National Association of Health Underwriters (NAHU)
- * National Rural Electric Cooperative Association (NRECA)
- * P&G
- * Pfizer
- * Towers Watson
- * UNITE HERE
- * The United Brotherhood of Carpenters and Joiners of America
- * WorldatWork

What do WE do?

Abolish the Cadillac Tax

- * HR 2050
- * “The Middle Class Health Benefits Tax Repeal Act of 2015”
- * Introduced by Rep. Joe Courtney (D-CT)
- * 167 co-sponsors (as of 10/29/15)

What do WE do?

Abolish the Cadillac Tax

- * HR 879
- * “Ax the Tax on Middle Class Americans' Health Plans Act”
- * Introduced by Rep. Frank Guinta (R-NH)
- * 106 co-sponsors (as of 10/29/15)

What do WE do?

Repealing the Cadillac Tax does not challenge its underlying assumptions

We must insist

- * Health care is a right not a privilege
- * Workers cannot control health care costs
- * Workers should not pay for the ACA
- * Single Payer is the Answer