



Excise Tax on Insurance Plans Is a Tax on Workers' Health Benefits by Another Name

Senate Finance Committee legislation would impose a huge excise tax on CWA-negotiated employer health plans. The tax will be passed directly onto working families. To avoid the tax, employers will try to significantly cut benefits on *active workers* and *pre-Medicare retirees*.

How the Excise Tax Works

- A 40% excise tax would be assessed on the value of health care plans exceeding \$21,000 for a family and \$8,000 for an individual starting in 2013. (Levels are higher for pre-Medicare retiree plans and high-risk industry plans – \$26,000 and \$9,850.)
- These “thresholds” would increase at the rate of general inflation (CPI-U) plus one percentage point. This is well below the rate of medical inflation and about one-half the rate at which employer and union plan costs have been increasing.

Excise Tax Will Hit CWA-negotiated Health Plans Hard and Result in Deep Cuts

- In 40 of 43 states examined (see reverse side), over 10 years (2013-2022) the average excise taxes assessed on CWA's most popular plans will be:
 - \$19,300 per active worker in the family plan
 - \$7,200 per active single worker
 - \$8,500 per pre-Medicare retiree (aged 55 to 64) in the family plan
 - \$1,100 per pre-Medicare retiree in the single plan

Excise Tax Discriminates Against Older Workers, Those in More Hazardous Jobs and Workers from More Costly Regions of the Country

- CWA negotiated health plans are not “Cadillac Plans,” offering “excessive” benefits. They are roughly comparable to other plans, but provide for more limited cost sharing.
- An older workforce drives up CWA plan costs. Moreover, many blue-collar jobs are more dangerous and more harmful to one's health, which result in higher health costs.
- Many plans are in high-cost regions, which our plans have no control over.

Taxing Health Benefits is a Political Disaster

- In a recent national poll, by 54% to 41% people opposed “placing a tax on the highest-cost private insurance policies in order to pay for health reform.”¹
- Health care was a deciding factor for many voters in 2008 and taxing health benefits was the clear dividing line between candidates Obama and McCain.

Fund Reform by Cutting Drug and Insurance Company Subsidies & Taxing the Wealthy

There are alternative ways to pay for health care reform that do not penalize the middle class but instead promote a much more efficient – and fair – health care system. President Obama proposed raising \$950 billion in new revenues over the next 10 years by cutting subsidies to private insurance companies that participate in Medicare, negotiating deeper prescription drug price discounts for Medicare and Medicaid, reducing hospital subsidies under Medicare and modestly increasing the taxes paid by the richest Americans.²

¹ Lake Research Partners, September 18-20, 2009.

² President Obama's 2010 Budget and White House announcements.

Excise Tax Owed Per Worker Over 10 Years on CWA Negotiated Health Care Plans Under Senate Finance Committee Bill – Most Popular Plan in Each State

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Total Excise Tax From 2013-2022 with Threshold increasing at CPI +1%	Family Coverage Active Workers	Single Coverage Active Workers	Family Coverage Pre-Medicare Retirees	Single Coverage Pre-Medicare Retirees
Alaska	\$12,799	\$4,183	\$1,012	\$0
Arizona	\$13,593	\$4,383	\$1,012	\$0
Arkansas	\$16,228	\$9,236	\$0	\$0
California	\$13,332	\$8,004	\$0	\$0
Colorado	\$13,593	\$4,383	\$1,012	\$0
Connecticut	\$10,797	\$6,297	\$0	\$0
Delaware	\$21,343	\$5,977	\$28,257	\$3,830
Florida	\$0	\$0	\$0	\$0
Hawaii	\$13,332	\$8,004	\$0	\$0
Idaho	\$13,593	\$4,383	\$1,012	\$0
Illinois	\$5,806	\$4,198	\$0	\$0
Indiana	\$5,806	\$4,198	\$0	\$0
Iowa	\$13,593	\$4,383	\$1,012	\$0
Louisiana	\$0	\$0	\$0	\$0
Maine	\$58,497	\$18,942	\$34,110	\$4,595
Maryland	\$23,444	\$6,489	\$31,014	\$3,862
Massachusetts	\$58,497	\$18,942	\$34,110	\$4,595
Michigan	\$5,806	\$4,401	\$0	\$0
Minnesota	\$12,799	\$4,183	\$1,012	\$0
Missouri	\$16,228	\$9,236	\$0	\$0
Montana	\$13,593	\$4,383	\$1,012	\$0
Nebraska	\$13,593	\$4,383	\$1,012	\$0
Nevada	\$13,332	\$8,004	\$0	\$0
New Hampshire	\$58,497	\$18,942	\$34,110	\$4,595
New Jersey	\$24,187	\$11,051	\$249	\$0
New Mexico	\$13,593	\$4,383	\$1,012	\$0
New York	\$58,497	\$18,942	\$34,110	\$4,595
North Carolina	\$0	\$0	\$0	\$0
North Dakota	\$13,593	\$4,383	\$1,012	\$0
Ohio	\$5,806	\$4,401	\$0	\$0
Oklahoma	\$16,228	\$9,236	\$0	\$0
Oregon	\$13,593	\$4,383	\$1,012	\$0
Pennsylvania	\$21,343	\$5,977	\$28,257	\$3,830
Rhode Island	\$58,497	\$18,942	\$34,110	\$4,595
South Dakota	\$13,593	\$4,383	\$1,012	\$0
Texas	\$16,228	\$9,236	\$0	\$0
Utah	\$13,593	\$4,383	\$1,012	\$0
Vermont	\$58,497	\$18,942	\$34,110	\$4,595
Virginia	\$23,445	\$6,489	\$31,014	\$3,862
Washington	\$12,799	\$4,183	\$1,012	\$0
West Virginia	\$21,343	\$5,977	\$28,257	\$3,830
Wisconsin	\$5,806	\$4,198	\$0	\$0
Wyoming	\$12,799	\$4,183	\$1,012	\$0
Average	\$19,338	\$7,191	\$8,532	\$1,088

Source: Communications Workers of America Research Department

Bold states are the high-cost transition states. In these states the threshold is adjusted upwards in 2013 (20%), 2014 (10%), and 2015 (5%). **2013-2022 Tax Impact** is based on a \$21,000 threshold for active worker family plan, \$8,000 for single active worker plan, \$26,000 for family retiree plan and \$9,850 for single retiree plan. The threshold is adjusted by CPI plus 1 percentage point (estimates from CBO projected in Long Term Budget Outlook (June 2009); the median for the 10 years is 2.9%. Pre-Medicare retiree coverage is a blended rate that combines the cost of pre-Medicare and Medicare retiree coverage weighted by the number of people in each plan.

The cost estimate for each state includes the cost of the most popular health care plan and dental and vision coverage at \$425 (single) and \$1,019 (family) per year, except for New Jersey, which is the one plan cost. 2009 COBRA rate for all plan costs is trended forward at 5.5% per year based on Watson Wyatt estimate for employer plans, which is well below the current cost growth.