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Contact: Carly Lindauer, Berlin Rosen Public Relations, 202-744-5129

AFGE: Christina Erling, 202-639-6419

APWU: Sally Davidow, 202-842-4256

NALC: Drew Von Bergen, 202-662-2489

Federal Unions Release Two Reports on the Detrimental Impact of the Senate Excise Tax on FEHBP Health Plans

Reports find that excise tax will have reduce benefits and raise costs for employees

Two reports released today by federal unions found that the so-called “Cadillac” tax on higher-cost health plans contained in the U.S. Senate health care bill would actually affect average plans like those under the Federal Employees Health Benefits Program (FEHBP). The reports suggest that the excise tax would result in significant health benefit cuts and shifting of costs to employees, as plans try to avoid the tax.

The reports were released by the American Federation of Government Employees (AFGE), American Postal Workers Union (APWU), National Association of Letter Carriers (NALC) and the Communications Workers of America (CWA). They were joined by Rep. Chris Van Hollen (D-Md.) and Rep. Gerry Connolly (D-Va.).

“These studies show us that the excise tax will further drive up the skyrocketing health care costs and will make it impossible for federal workers to achieve the health security they need. If FEHBP premiums continue to increase at the rate they have, we are on course for insurance premiums to grow at almost triple the rate that the excise tax threshold is set to grow,” said **AFGE President, John Gage**. “The excise tax is a direct tax on our members’ benefits and will result in a huge benefit cut and increased co-pays and deductibles. We have a no-win scenario here; it’s the wrong direction for health care. Other alternatives must be put on the table to remedy it.”

One report released by the unions found that Blue Cross/Blue Shield Standard plans, which nearly half of all federal employees belong to, will face an excise tax in the first year if it serves individuals and in the third year if it serves families. Over the first 10 years, the family plan will face an excise tax of more than \$20,000 per worker, or about \$2,000 a year. The individual plan will face an excise tax of more than \$16,000 per worker, or about \$1,600 a year. By 2022, the report projects that the family plan could face an excise tax of \$5,500 per worker that year alone; the tax on an individual plan could be \$3,500 per worker.

A second report is a White Paper prepared for the Office of Personnel Management by the Association of Federal Health Organizations, which is a trade association of FEHBP plans sponsored by unions and employee associations. It examined 11 FEHBP plans

covering 75 percent of all federal employees and found that for individual coverage, 5 of the 11 FEHBP plans would face the Senate excise tax within the first three years and that for those with family coverage, 4 of the 11 plans would face the tax in the first six years.

“The Senate Excise tax was intended to target luxurious Cadillac plans, but it will inevitably hit the Chevy plans that make up the Federal Employee's Health Benefit Program, including the federal Blue Cross plan and the NALC plan, my unions Health Benefit Plan,” **Fred Rolando, President of NALC** said. “Worse, as currently drafted, the tax will turn our Chevy plans into Yugo plans over time.”

William Burrus, President of APWU noted, “These studies offer further proof that the excise tax will in fact raise costs and reduce coverage. We need health care reform now more than ever, but federal and postal employees and middle class Americans across the country should not be asked to shoulder the burden of paying for it. The Senate should find other solutions - such as those offered in the House version of the health reform bill - to pay for the reform that Americans deserve.”

“I’ve said it before, and I’ll say it again: I oppose a tax on so-called ‘Cadillac plans,’ said **U.S. Senator Barbara A. Mikulski (D-Md.)** “I think it’s a clunker of an idea. America’s union workers and federal employees are on the front lines every day, working hard for America. That’s why I’ll fight to slam the door on a back-door tax on Middle America.”

“We can no longer delay action to address America’s health care crisis – middle class families, small businesses, and our entire nation cannot afford to wait. The Senate has made significant progress in passing health care reform, but I remain steadfast in my commitment to the House’s mechanism for paying for this critical reform. I am dedicated to ensuring that American workers, including federal employees, retain access to quality health care that they can afford,” said **Rep. Chris Van Hollen (D-Md.)**.

“Throughout this year, we and Members of the Administration, have assured the public, including more than two million federal employees, that if individuals or families like their current coverage, they will not have to change it. The current excise tax proposal in the Senate could undermine that tenet of health insurance reform,” said **Rep. Gerry Connolly, (D-Va.)**.

The unions all oppose the Senate excise tax, which would raise \$150 billion over 10 years, much of it by taxing the middle class. Instead, they support health reform legislation approved by the House of Representatives (H.R. 3962) that raises revenue by requiring all employers to provide coverage, which would raise \$135 billion, and by assessing a surtax on the richest 0.3 percent of Americans, which would raise \$460 billion.

“This tax is the opposite of health care reform – it represents a benefits cut and a middle class tax increase,” said **Larry Cohen, president of CWA**. “The Senate should look to the House version of the bill for alternative ways to fund health care reform.”

Both studies are available at www.healthcarevoices.org/fehbp.