Representative Joe Courtney (D-CT) has introduced the Middle Class Health Benefits Tax Repeal Act, H.R. 748, which would repeal the 40% excise tax on high-cost employer-sponsored health plans. Often referred to as the “Cadillac tax” by its supporters, it was rooted in the mistaken belief that many high premium employer-sponsored health plans were overly generous and raised the cost of health care because individuals were over-utilizing the system. The tax is intended to help defray the cost of expanding health benefits to cover uninsured individuals, pitting one group of Americans against another. Congress has delayed the implementation of the law but the tax will go into effect in 2022, unless it is repealed.

What is the health benefits tax?
The health benefits tax imposes a 40 percent excise tax, assessed on the cost of coverage on health plans that exceed an annual limit ($10,200 for individual coverage and $27,500 for self and spouse or family coverage). Health plans that cover older Americans and workers in dangerous occupations have a higher annual limit, plans that cover those individuals will still be affected. According to Johns Hopkins University researchers, 75% of employer-sponsored plans will be hit by the tax in the first decade of its implementation.

Many factors play a role in the cost of health plans. The gender, age, health status, occupational risk of the workers covered, or the region where the plan is based, all determine a plans cost.

Who will be affected?
Women, disabled people, workers in high risk occupations, and older Americans, particularly those in poor health or with chronic and costly medical conditions, will be hurt by the tax. Some employers are already scaling back employee’s health coverage to avoid being assessed the tax. Others employers are shifting more costs to employees by way of higher premiums and deductibles. Retirees will also likely be affected, as employers may reduce benefits for early retirees who are younger than 65 and eliminate supplemental coverage for 65+plus Medicare-eligible retirees altogether.

Many union members and retirees have forsaken raises to get good health coverage. Implementation of the Health Benefits tax threatens their health coverage.