On July 17, 2019, the U.S. House of Representatives passed Representative Joe Courtney’s Middle Class Health Benefits Tax Repeal Act, H.R. 748 by a vote of 419 to 6. The bill would repeal the 40% excise tax on high-cost employer-sponsored health plans. Senator Martin Heinrich introduced the companion Senate bill, S. 684.

Often mistakenly referred to as the “Cadillac tax,” the health care excise tax was rooted in the mistaken belief that many high premium employer-sponsored health plans were overly generous, encouraged individuals to overutilize the health care system and drove up overall health care costs. This tax will hurts middle class workers and families with employer sponsored insurance plans. Congress has delayed the implementation of the excise tax, but unless it is repealed, the tax will take effect in 2022.

What is the health benefits tax?

The health benefits tax imposes a 40 percent excise tax 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 but will still be taxed.

Seventy-five percent of employer-sponsored health insurance plans will be subject to the tax in its first decade of implementation, according to researchers from Johns Hopkins University, including strong health insurance plans negotiated by labor unions in lieu of higher wages.

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

Who will be affected?

Many Americans are being affected by the tax now, before it even takes effect. Some employers are scaling back employee’s health coverage to avoid being assessed the tax while others are shifting more costs to employees by way of higher premiums and deductibles.

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 especially hurt by the tax. 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.

The Senate should pass S. 684 without delay.