

The Health Premium Excise Tax: A Hit on Gold-Plated Plans or Middle Class Benefits?

The 40% excise tax on certain health plans that the Senate Finance Committee proposes would take effect in 2013 and be imposed on health plans valued at more than \$8,000 for individual coverage/ \$21,000 for family coverage, or **\$6,500 for individual plans/\$17,000 for family plans in 2009 dollars**. The amount would be adjusted upwards for residents of high cost states, retirees and workers in high risk jobs.

Nationwide, the average family health plan is valued at approximately \$14,000 today. But many plans are more expensive. **That's why the Congressional Joint Committee on Taxation estimates that the tax would hit:**

- **19% of all single-coverage plans in the country when it starts in 2013 (and 14% of family-coverage plans).**
- **By 2019, the tax would impact on 41% of single-coverage plans and 37% of family-coverage ones.**

Far from being extravagant, most of these plans have high costs because of factors beyond the control of the plan-sponsors or workers covered:

- They cover workers in high-cost areas of the country
- They include retirees
- The health care use of the workforce is high because of factors such as: old age, poor health status, or large numbers of women of child-bearing age.

Some of these factors are associated with unionized workforces the jobs are better and therefore workers stay longer and retiree with health benefits.

If asked about plan costs for workers in your state, you may or may not know which ones are high costs. If you don't know of ones that cost \$6500 for individuals or \$17,000 for families, here are some actual examples you can cite:

Steel workers at a particular firm operating in Pennsylvania, Ohio, Illinois, and Indiana: coverage currently costs \$6,689 per year for individual coverage/\$17,507 for family coverage. In 2013, costs are projected to be \$8,286 for individuals/\$21,688 for families¹

Firefighters in New York City: coverage that costs \$7300 for individuals and \$16,000 for families that is projected in 2013 to cost \$8,049 for individuals/\$22,218 for families.

¹ . In network, workers pay 10 percent of the premiums, have a \$1000 per individual or \$2000 per family out-of-pocket maximum, and \$15 copay for doctors office visits (Out of network, workers pay twice those amounts, plus deductibles.

Telecommunications workers in popular plans across 26 states: benefits average \$7000 for individuals/\$17,750 for families. In 2013, costs are projected to be \$8,696 for individuals/\$22,632 for families. For CWA retirees in these same plans, the costs are much higher; \$10,500 for individuals/\$22,000 for families today, and projected to be \$12,550 individuals/\$30,324 for families in 2013.

Thirty eight multi-employer firms covering 1,000 or more people in various industries (construction, transportation, retail food, janitorial) across all regions of the country: a survey by the Segal benefits firm found that, for individual coverage, 24% of the plans would be subject to the tax in 2013, rising to 68% in 2020, and for family coverage, 18% in 2013 and 61% in 2020.

Public workers in Illinois: benefits in the largest plan have costs of \$8,580 for individual/\$19,908 for family in 2009, rising to \$10,832 for individuals/\$25,134 for families in 2013.