

Update: The Excise Tax on High Cost Plans (*aka: "The Cadillac Tax"*)

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Background

- Was added to ACA to help reduce healthcare inflation over time.
- Imposed on benefit-rich “Cadillac” plans, which often shield employees from higher out of pocket costs.
- Theory is that with lower out of pocket costs, there is higher utilization, higher trend over time and higher premiums.

Background

- Many factors influence premiums including actual claims, age, health of population, geographic region.
- Employers are seeking ways to reduce premiums to avoid the tax.
- Could result in cost shift to employees (hopefully with offset to increase wages!)

Excise Tax Effective 2018

- 40% Tax on high cost plans with aggregate expenses that exceed **\$10,200** for individual coverage and **\$27,500** for 2-person or family coverage.
 - Paid by plan administrator (...and passed on to groups)
- Some plans are there now.
- Age and gender adjustments to thresholds.
- Final regulations yet to be released, (late 2015).

How It's Calculated

- Annual premium minus: \$10,200 (single) or \$27,500 to determine amount above these thresholds.
- Multiply the difference by 40% to get the tax.
- Multiply the tax times the number of subscribers on each plan.



What is Being Done Now

- Coalition of SchoolCare, Health Trust, NH State Employees Benefit Plan, USNH;
- 120,000 combined covered lives, over \$780M public funds spent annually on employees' healthcare.
- NH & public entities would be disproportionately affected by tax.
- Working with Congressional delegation to mitigate impact of the tax to NH.



High Deductible Health Plans

- Not all bad...
- Typically have same benefits and networks
- Lower upfront costs with some out of pocket for medical care
- May include a HSA or HRA account to help offset deductible
- Examples: Anthem Lumenos,
SchoolCare CDHP



Be Well, Stay Well!

