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The Impact of the Health Care Excise Tax on U.S. Employees and Employers

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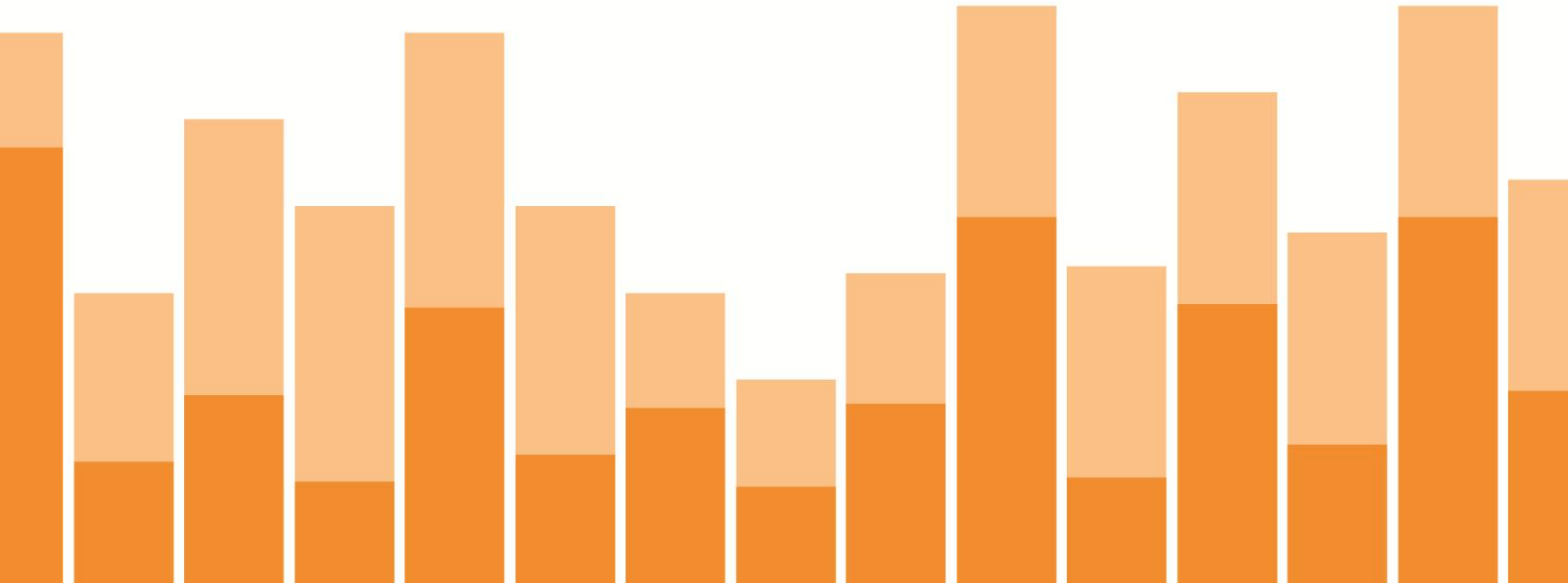

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Executive Summary

Under the Affordable Care Act (ACA), in 2018, an excise tax on high-cost health plans, the so-called "Cadillac tax," takes effect. The potential impact of this tax is driving employers to fundamentally reassess their health care plans and reconsider what their role and approach to providing health care benefits should be in the future. At the moment, the tax is acting as a catalyst for change. In the future, however, continued medical inflation and regional differences in health care costs will make it very difficult for employers to continue reducing benefit costs to avoid the tax. Rising health care costs will make it more difficult for employers to provide affordable health care benefits to employees with each passing year, and the inexorable increase in health care costs will eventually cause Chevrolet benefit plans to be taxed as Cadillacs. That, in turn, will result in the burden of the excise tax falling on a significant number of American employees and their families.

Key findings about the excise tax on employees and employers are as follows:

- From 2018 to 2024, the excise tax could cost 12.1 million employees an average of $1,050 in higher payroll and income taxes per year, *if* employers increase their taxable wages as they reduce the cost of health care benefits. Alternatively, these employees could see up to a $6,150 reduction in their health care benefits and little or no increase in their pay.
- Should employers increase the taxable wages of employees, something that is not clear in the current business cycle, a significant portion of the increase in take-home pay may be spent on higher out-of-pocket health care expenses as deductibles and out-of-pocket limits increase.
- Large employers subject to the excise tax in 2018 will pay an average of $1.0 million that year, and an average of $2.1 million per year from 2018 to 2024, *or over $2,700 per employee*.
- In 2018, the excise tax is anticipated to hit 17 percent of all American businesses, and 38 percent of large employers.
- Within twenty years, the impact of the excise tax will not be limited to just high value plans. By 2031, the cost of the average family health care plan is expected to hit the excise tax threshold.

Overall, the Congressional Budget Office (CBO) estimates the excise tax will result in approximately $5 billion in new taxes in 2018, $10 billion in 2019, $13 billion in 2020, and a total of $120 billion from 2018 to 2024. CBO also estimates that about 25 percent of the $120 billion, or about $30 billion, will come directly from employers, third party administrators (TPAs), and issuers. The remaining 75 percent, or $90 billion from 2018 to 2024, will come from increased income and payroll tax revenue from the higher taxable wages employers are predicted to pay to offset the reduction in the health care benefits that is expected to occur because of the excise tax. As these numbers show, this tax is going to impose real costs on both employees and employers alike.

The ACA Excise Tax Provision

Under the ACA, if the aggregate cost of employer-sponsored health insurance coverage for an employee or a retiree (including surviving spouses) exceeds $10,200 for individual coverage and $27,500 for family coverage, a non-deductible 40 percent excise tax is applied to the amount of the employee benefit that exceeds the tax threshold. [1] This tax is scheduled to go into effect in 2018.

- Generally, the aggregate cost of the employee benefit is the amount that is reported on the employee's W-2. In determining the coverage cost for retirees, employers may elect to treat pre-65 retirees together with post-65 retirees.
- The thresholds for early retirees and individuals in certain high-risk professions are $1,650 higher for single coverage and $3,450 higher for family coverage.[2] Adjustments to the total cost of the plan are also allowed for the age and gender mix of employees.
- For multi-employer plans maintained pursuant to collective bargaining agreements, the family threshold ($27,500) for the excise tax applies to both individual coverage and family coverage.

In 2019, the threshold amounts for the excise tax are increased by the Consumer Price Index (CPI) plus one percentage point. In 2020 and thereafter, the threshold amounts are indexed by just the CPI.

It is important to remember that the excise tax does not just apply to the portion of premiums paid by employers. The aggregate cost of the employee benefit is defined quite broadly, including employer-paid premiums to be sure, but also tax-free employee premium contributions, reimbursements under a flexible spending account for medical expenses, health reimbursement arrangements (HRA), employer contributions to a health savings account (HSA), on-site medical clinics that offer more than a *de minimis* amount of medical care to employees and executive physical programs, and supplementary health insurance coverage, excluding dental and vision coverage. This broad definition limits employers' ability to provide additional health benefits to their employees without triggering the tax.

Further, the excise tax on high-cost employer sponsored coverage extends to public sector-provided coverage, including "any group health plan established and maintained primarily for its civilian employees by the Government of the United States, by the government of any State or political subdivision thereof, or by any agency or instrumentality of any such government."[3]

The Purpose of the Excise Tax

The high-cost excise tax was designed to address three public policy goals: 1) reduce the federal tax preferred treatment of employer-provided health care benefits; and thereby, 2) reduce excess insurance and health care spending by employees and employers; and 3) help finance the expansion of health care coverage under the ACA. However, instead of directly reducing or eliminating the tax preferred treatment of employer-provided health care, Congress decided to impose a new excise tax that was more politically palatable at the time.

Indirect Way to Reduce Tax Preferred Treatment of Employer-Provided Health Care Benefits

The exclusion of employer-sponsored health insurance premiums and medical benefits from taxable income is the largest federal tax expenditure. In 2013, it was estimated to reduce federal tax revenues by $303 billion. A number of studies have noted that the excise tax can be viewed as a hidden or indirect way to reduce the tax preference for health care without taking it away from employers. A study by Timothy Jost and Joseph White noted that a "major reason why some distinguished economists with whom we have discussed the excise tax endorse the tax is that they see it as a step towards eliminating the employer role in health insurance."[4]

Reduce Excess Insurance and Lower Health Care Spending

As with other excise taxes, a main objective of the high-cost excise tax is to change employer and employee behavior. During the ACA debate, the Joint Committee on Taxation (JCT) and CBO forecast that both individuals and employers would seek less costly policies that would limit their exposure to the tax. Specifically, employer "plans could achieve lower premiums through some combination of greater cost sharing (which would lower premiums directly and also lower them indirectly by leading to less use of medical services), more stringent benefit management, or coverage of fewer services." Moreover, it has been estimated that in the absence of any changes to employer plans, by 2029 over 29 percent of employer plans would be subject to the tax. Many employers are making significant changes to their health care plans as a result, which means that the excise tax is working at least in part as Congress intended.

Raise Revenue to Help Finance the Expansion of Health Care Coverage Under the ACA

In March 2010, when the ACA was enacted, the CBO and JCT estimated the high-cost excise tax would generate $12.2 billion in 2018 and $19.8 billion in 2019, for a total of $32 billion, and account for almost 26 percent of the estimated deficit reduction deriving from the health care and revenue provisions in the bill.

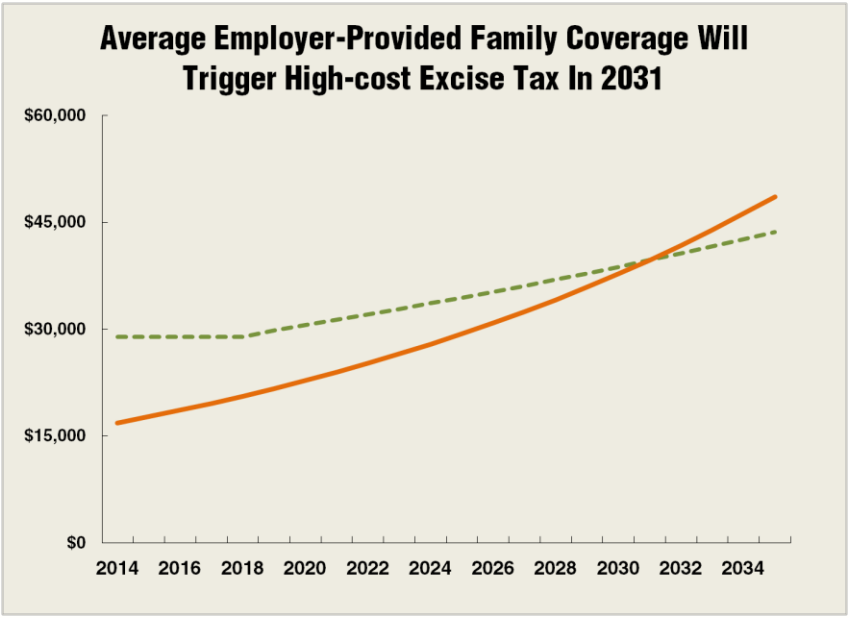
The excise tax will increasingly impact American workers and their families in the coming years. In fact, most of the revenue generated by the high-cost excise tax comes from employees, not from employers and insurance carriers. In October 2009, the JCT estimated that over 80 percent of the revenue generated would come employees in the form of higher income and payroll taxes on the higher taxable wages they would receive as employers increased their pay to make up for the reduction in health care benefits. According to Douglas W. Elmendorf, Director of the CBO, "If employers increase or decrease the amount of compensation they provide in the form of health insurance (relative to current-law projections), CBO and JCT assume that offsetting changes will occur in wages and other forms of compensation—which are generally taxable—to hold total compensation roughly the same."[5]

Excise Tax Will Affect 38 Percent of Large Employers in 2018

Over time, more and more employers will have to pay the excise tax because the aggregate cost of employer-sponsored health benefits typically increases faster than other prices. For example, while medical care prices are currently rising at historically low rates (2.5 percent in 2013), they are still rising significantly faster than all other prices (1.4 percent).[6] Because the threshold for the excise tax increases over time by the Consumer Price Index and not medical inflation, the threshold will increase more slowly than the cost of the average employer health care plan. Eventually, the cost of today's "average plan" will hit the threshold for the excise tax.

In this regard, the high-cost excise tax is similar to the Alternative Minimum Tax (AMT) which was originally intended to target only 155 high-income households, but today it impacts an increasing number of middle-class taxpayers with incomes as low as $42,500. Because of the way the high-cost excise tax is indexed to inflation, the steady increase in health care costs will in short order cause many middle class health plan beneficiaries to be subjected to the excise tax.

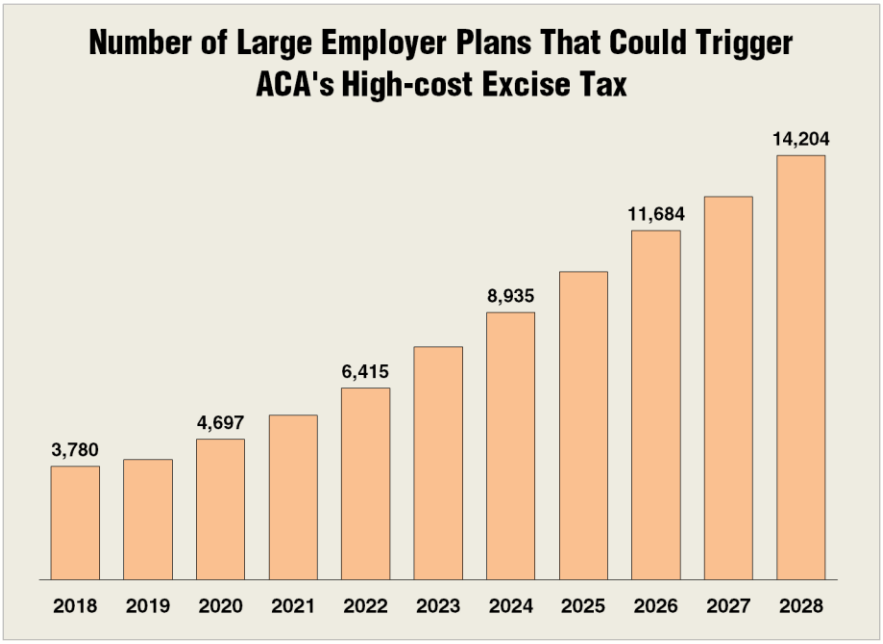
Assuming the CPI increases an average 2.4 percent per year (current CBO forecast),[7] the cost of family coverage increases at 5.2 percent per year (average cost increase over previous four years),[8] and employers make no further changes to their plan designs, the *average* employer cost for providing family coverage will trigger the excise tax in 2031 (see chart below), and the *average* cost of providing individual coverage will trigger the excise tax in 2038.[9]



A number of employers could trigger the tax threshold much sooner than 2031. According to the Kaiser Family Foundation, 6 percent of employees with family coverage are in plans that currently cost $24,000 or more per year, and those plans could easily could trigger the high-cost excise tax in 2018 unless employers make changes to their plan designs before then.[10] A recent survey by the Federal Reserve Bank of New York found 12 percent of manufacturers and 19 percent of service firms will have to pay the excise tax in 2018 as their plans stand now.[11]

In January and February 2014, the American Health Policy Institute confidentially surveyed over 350 large companies that are members of the HR Policy Association to identify and quantify the direct costs of the Affordable Care Act for large employers. Over 38 percent said they would be impacted by the excise tax in 2018 unless they made changes to their plan designs before then.[12] Another recent analysis of large employer plans found 48 percent are likely to trigger the excise tax in 2018 and 82 percent would by 2023.[13]

Another study, by Jordan Yahiro and Bradley T. Heim, estimates that as much as 17 percent of single plans offered by employers will trigger the excise tax in 2018, 33 percent will trigger the tax by 2024, and 45 percent will trigger the tax in 2028 unless significant changes are made to those plans.[14] Although fewer family plans will trigger the tax in 2018 (10 percent), by 2024, 39 percent of family plans will trigger the tax due to their relatively faster increase in costs, and 62 percent of family plans will trigger the tax by 2028.[15] This means almost 3,800 large employer plans will likely trigger the excise tax in 2018, and over 8,900 plans will trigger the tax in 2024. By 2028, over 14,200 large employer plans will likely be paying the excise tax unless employers make changes to their plan designs before then.[16]



Many state and local government health care plans will also be impacted by the high-cost excise tax because they tend to offer more expensive health plans than private-sector employers. According to the Bureau of Labor Statistics, the cost of health insurance for state and local governments is more than two times the cost for private-sector employers ($5.05 per hour vs. $2.35 per hour),[17] which suggests they are more than twice as likely to be impacted the high-cost excise tax. Unless public-sector health care benefits can be reduced to avoid the excise tax, state and local officials will either have to raise taxes or cut other services to pay the tax.

Cost of the Excise Tax to Employees and Employers

The Office and Management and Budget currently estimates the high-cost excise tax will raise $1.7 billion in 2018, $6.2 billion in 2019, $8.3 billion in 2020, and a total of $88.3 billion from 2018 to 2024.[18] However, the CBO estimates that the impact of the excise tax will be significantly more than the OMB's estimates: $5 billion in 2018, $10 billion in 2019, $13 billion in 2020, and a total of $120 billion from 2018 to 2024.[19]

CBO estimates that about 75 percent of the $120 billion, or about $90 billion from 2018 to 2024, will come from a combination of increased income and payroll tax revenue from the higher taxable wages employers are predicted to pay to offset the reduction in the health care benefits that is expected to occur because of the excise tax.[20]

The increased costs to employees will be generated as two likely scenarios play out: 1) employers will either minimize their tax hit by reducing benefits; or 2) they will reduce employees' benefits but also increase pay in the process. This would, in turn, increase both an individual's take-home pay and taxes, but some portion of the increase in take-home pay would consumed by higher out-of-pocket health care costs shifted to employees with poorer health outcomes.

- From 2018 to 2024, it could cost 12.1 million employees an **average $1,050 in higher payroll and income taxes per year**, *if* employers increase their taxable wages as they reduce the cost of health care benefits, as CBO projects they will.[21] Alternatively, these employees could see a $6,150 reduction in benefits and little or no increase in their pay, if employers only reduce benefits without increasing wages.[22]

The other 25 percent, or about $30 billion, will come directly from employers, TPAs, and issuers.[23]

- The large employer plans that trigger the excise tax in 2018 will pay an average $1.0 million that year, and an average $2.1 million per year from 2018 to 2024, or ***over $2,700 per employee***.[24]

Estimated Cost of the ACA High-Cost Excise Tax on Employer-Provided Health Care Coverage
(Millions)

	2018	2019	2020	2021	2022	2023	2024	2018 to 2024
CBO Excise Tax Cost Estimate	$5,000	$10,000	$13,000	$16,000	$20,000	$25,000	$30,000	$120,000
Paid by Employers	$1,250	$2,500	$3,250	$4,000	$5,000	$6,250	$7,500	$30,000
Average Employer Cost	$1.0	$1.9	$2.1	$2.2	$2.3	$2.4	$2.5	$2.1
Paid by Employees	$4,000	$8,000	$10,000	$12,000	$15,000	$19,000	$23,000	$90,000
Average Employee Cost per Year	$620	$950	$1,020	$1,060	$1,080	$1,150	$1,170	$1,050

Note: Employee Cost per Year is in dollars, not millions.

These averages mask the significant costs that some large employers will individually incur from the ACA high cost excise tax. For example, one large employer estimated that the high-cost excise tax could cost $378 million from 2018 to 2023, or almost $4,500 per covered life, unless changes were made to their health care plan designs. Another company estimated it could cost $284 million from 2018 to 2024. Both employers have since made changes to their health care strategies and plan to further reduce their exposure to the excise tax or offset the cost in other ways. One company expects to lower their 2018 excise tax cost from over $8 million to $1 million by implementing changes of a cost sharing nature to their health care plans, and expects additional actions will be required to delay triggering the tax.[25] (See Appendix One for additional employer examples.)[26]

As employers reduce the cost of their health care plans to avoid or minimize their exposure to the excise tax, employees are likely to have to pick up more of their health care costs out of their own pockets and find ways to reduce their own health care expenses. Although employers will continue to pick up the large majority of employee health care costs (71% of the premium for family coverage, or $12,011),[27] employee deductibles, copayments, and out-of-pocket maximums will continue to increase. Employers are also likely to put more of the responsibility of health care decision making into the hands of employees by moving to Consumer Directed Health Plans. Moreover, employers are narrowing their provider networks to control costs by limiting employee choices to a smaller group of medical care providers.

Excise tax costs in the range of $7 million to $78 million per large employer will not be overlooked by CEOs, CFOs, or Boards of Directors, especially when it is a non-deductable expense. In a recent survey, two-thirds of Chief Financial Officers said they expect to increase their focus on health and wellness,[28] and 73 percent of employers said they are somewhat or very concerned they will trigger the excise tax based on their current plan designs and projected cost increases.[29] More than four in ten (43 percent) said avoiding the tax is the top priority for their health care strategies in 2015.[30] What was once the preserve of senior benefits executives in large corporations, health care costs, and particularly the excise tax, now have the full attention of the company's senior management and its Board of Directors.

What Changes Are Employers Making In Response to the Excise Tax?

As noted above, Congress intended the excise tax to change employer health care plans and it is having its anticipated effect. Over time the only way for an employer to avoid the excise tax is to take steps to reduce the rate increase in the company's health care costs to less than the increase in consumer prices and keep it there; and/or to modify the health care benefits the company offers to stay under the excise tax threshold. While 83 percent of large employers consider health benefits to be an important part of their employee attraction and retention strategy,[31] at least 78 percent are changing their health care plans in response to the high-cost excise tax.[32] According to a recent survey by the National Business Group on Health:

- 57 percent of employers are implementing or expanding account-based consumer driven health plans to minimize the impact of the excise tax;
- 53 percent are adding or expanding incentives for employees to participate in wellness programs;
- 42 percent are increasing employee cost sharing; and
- 30 percent are eliminating high cost plans.[33]

Other employers are decoupling their dental and vision benefits from their health care plans because they are not counted towards triggering the excise tax if they are a separate benefit plan. While employers are taking steps to encourage and help employees become better health care consumers, 42 percent said that even with all of the plan changes they are implementing, they are likely to have to further increase employee cost sharing to reduce the excise tax in the future.

The excise tax is also expected to significantly impact the high-cost health care plans labor unions have bargained for over the years. Although nonunion employers may have the flexibility to adjust their health care benefits anytime between now and 2018, unionized employers will need to address potential excise tax costs in their upcoming contract negotiations to ensure contractual changes are in place to avoid or minimized the excise tax in the future.

How Much Revenue Will The Excise Tax Actually Generate?

As noted above, the CBO estimates the excise tax will generate a total of $120 billion from 2018 to 2024, with about 25 percent, or about $30 billion, coming directly from employers, third party administrators (TPAs), and issuers, and 75 percent, or $90 billion from 2018 to 2024, coming from increased income and payroll tax revenue from the higher taxable wages employers are predicted to pay to offset the reduction in the health care benefits that is expected to occur because of the excise tax. However, employers are taking steps to significantly reduce their exposure to the excise tax, and it is not clear how much employers will increase the taxable wages of employees in the current business cycle. When presented with this projection, the CHROs for large employers largely discount it, saying that they will continue to benchmark wages according to market forces, and not divert reduced spending on benefits to higher wages. If employers are successful in reducing their excise tax exposure by 50 percent over the next ten years and increase taxable wages by only 30 percent of the amount they reduce benefits by, it is possible the amount of revenue generated by the excise tax will be just $42 billion from 2018 to 2024, about a third of what CBO has estimated.[34]

Conclusion

Congress clearly intended the ACA high-cost excise tax to reduce the value of employer provided health care benefits, and the provision is having the expected impact. Policymakers also expected the provision would increase the taxable income of employees and thereby increase federal income and payroll tax revenue that could be used to help finance the expansion of health care coverage through Medicaid and the public exchanges. Whether or not a projected increase in taxable income comes to pass remains to be seen after the tax goes into effect. To date, BLS data suggest this does not seem to be happening to any significant degree.

The threat of the excise tax on high-cost health care plans after 2017 is driving employers to fundamentally reassess their plans and reconsider what their role and approach to providing health care benefits should be in the future. These reassessments will have a real impact on employees and their families. Cost sharing, benefit reduction, and other employer strategies to reduce their excise tax exposure threaten to make employer health plans unaffordable for many moderate to low wage employees and their families. At the same time, these employer strategies to reduce their excise tax exposure will significantly reduce the revenue that the tax was expected to generate.

Appendix One: Examples of Costs Incurred by Some Large Employers from the ACA High Cost Excise Tax

- One large employer estimated in 2013 that the high-cost excise tax could cost $378 million from 2018 to 2023, or almost $4,500 per covered life, unless changes were made to their health care strategy and plan designs.[35]
- Another company estimated it could cost $284 million from 2018 to 2024. Both employers have since made changes to their health care strategies and plans to reduce their exposure to the excise tax or offset the cost in other ways.[36]
- More recently, one large employer estimated the excise tax will cost them $78 million in 2018, even after all of the changes they've made to their plans over the past four years.[37]
- Another company estimates the excise tax on their retiree health care plans will cost them almost $69 million from 2018 to 2027.[38]
- Another employer estimates the excise tax will cost them over $12 million from 2018 to 2023.[39]
- Another company expects their collectively bargained health care plans will cost over $7 million from 2018 to 2027 in excise tax payments.[40]
- A smaller private sector employer with about 3,000 active employees and very strong wellness and care management programs in place to manage health care costs will not hit the excise tax until after 2021.[41]
- One private sector employer with about 20,000 active employees estimates the excise tax will cost $16 million in 2018, or 3.6 percent of their total health care costs, and grow to $26 million in 2019, or about six percent of 2019 health care spending.[42]
- Public sector employers will also be impacted by the excise tax. One large government employer with about 200 thousand active employees and retirees estimates the excise tax will cost about $12 million in 2018, or around one percent of their health care spending.[43]
- In one state, 90 percent of the school districts, all with collective bargaining agreements, will have an excise tax liability in 2018 amounting to about 5 percent of their health care spending.[44]
- Counties and municipalities in New Jersey may have to pay a $97 million tax in 2018 , and New Jersey school districts may have to pay an $80 million for 97,000 teachers in 2018, and $258 million by 2022.[45]
- New York City may have to pay $22 million in 2018 and $549 million in 2022,[46] and Columbus, Ohio may have to pay $5.3 million to $8.1 million in 2018.[47]

Appendix Two: Employer Views of the Excise Tax

In 2014, 70 percent of the Chief Human Resource Officers (CHROs), the most senior human resource executive in the company, said the high-cost excise tax was one of the five most troubling provisions of the ACA.[48] In a similar survey in 2013, 21 percent of CHROs said the imposition of the excise tax would be a factor that would motivate their company to consider a significantly different approach to health care.[49]

In the 2014 CHRO survey:

- 78 percent said they are making adjustments to their health care plans to avoid the excise tax;
- 27 percent may drop their current health care program and utilize other viable alternatives if the excise tax is imposed.
- 20 percent plan to split the cost of any excise tax between the company and their employees;
- 17 percent plan to pass the total cost of any excise tax on to their employees; and
- 2 percent plan to absorb the total cost of any excise tax that may be incurred.

One in five (22 percent) of CHROs believe the excise tax will either be eliminated or substantially revised before 2018, and 78 percent think the excise tax should be repealed. Just 6 percent think it should be retained. Senator Pat Roberts (R-KS) has introduced a bill (S. 2191) to repeal the ACA high-cost excise tax. For those employers who cannot avoid it, the excise tax is driving a fundamental reassessment of their role and approach to health care. Continued medical inflation will make it difficult to reduce benefits to employees enough to avoid the anticipated tax at some point in the future. As a result, the substantial excise tax that many employers could face in 2018 is already forcing them to make hard decisions about the coverage they will be able to offer employees.

Endnotes

[1] In 2018, the threshold amounts could receive a one-time upward adjustment to the extent the premium for the Federal Employees' Health Benefit Plan Blue Cross/Blue Shield standard benefit option (FEHBP option) increases by more than 55 percent between 2010 and 2018. For example, if the premium for FEHBP option coverage (holding benefits under the FEBHP option constant) increases by 57 percent from 2010 to 2017, the threshold amounts for 2018 will multiplied by 1.02 percent (57 percent minus 55 percent). However, to date (2014), the FEHBP option has increased by just 14.5 percent and is unlikely to exceed the 55 percent requirement by 2018.

[2] High-risk professions include, law enforcement officers, firefighters, individuals who provide out-of-hospital emergency medical care (including emergency medical technicians, paramedics, and first-responders), and individuals engaged in the construction, mining, agriculture (not including food processing), forestry, and fishing industries, and longshore workers.

[3] § 9001(d)(1)(E). *See also*, Joint Committee on Taxation, "Technical Explanation of the Revenue Provisions of the 'Reconciliation Act of 2010,' as amended, in Combination with the 'Patient Protection and Affordable Care Act,'" JCX-18-10, Mar. 21, 2010, at 62.

[4] Timothy S. Jost and Joseph White, Institute for America's Future, "Cutting Health Care Spending: What is the Cost of an Excise Tax that Keeps People From Going to the Doctor?," See: http://ourfuture.org/files/Jost-White_Excise_Tax.pdf

[5] Douglas W. Elmendorf, The Congressional Budget Office, "CBO's Analysis of the Major Health Care Legislation Enacted in March 2010," March 30,2011. But see endnote 1 above.

[6] Bureau of Labor Statistics. U.S. city average for medical care compared to all items less medical care.

[7] Congressional Budget Office, The Budget and Economic Outlook: Fiscal Years 2014 to 2024, Table 2-1, February 2014.

[8] Kaiser Family Foundation, Employer Health Benefits Survey, 2014 Annual Survey, Exhibit 1.11.

[9] The average cost of individual coverage is affected by the excise tax later than family coverage because it has increased more slowly than family coverage (4.3% vs. 5.2%) over the previous four years and is assumed to do so in the future. See Kaiser Family Foundation, Employer Health Benefits Survey, 2014 Annual Survey, Exhibit 1.11.

[10] Kaiser Family Foundation, Employer Health Benefits Survey, 2014 Annual Survey, Exhibit 1.10.

[11] Federal Reserve Bank of New York, "Supplemental Survey Report, Firms Assess Effects of Affordable Care Act," August 2014.

[12] Tevi D. Troy and D. Mark Wilson, "The Cost of the Affordable Care Act to Large Employers," American Health Policy Institute, April 2014. The 38 percent figure comes from a review of the confidential survey responses.

[13] Towers Watson, 'Nearly Half of U.S. Employers Expected to Hit the Health Care "Cadillac" Tax in 2018 with 82% Triggering the Tax by 2023," September 23, 2014, available at: http://www.towerswatson.com/en/Press/2014/09/nearly-half-us-employers-to-hit-health-care-cadillac-tax-in-2018-with-82-percent-by-2003.

[14] Jordan Yahiro and Bradley T. Heim, "Projecting the Effect of the Excise Tax on High Cost Employer Sponsored Health Coverage on Health Care Consumption, SPEA Undergraduate Honors Thesis, Spring 2014. Another study in 2011, estimated 6.6 percent of single plans and 6.3 percent of family plans will trigger the excise tax in 2018, and over 15 percent of both types of plans will trigger the tax by 2024. See: Bradley Herring and Lisa Korin Lentz, "How Can We Bend the Cost Curve?" Inquiry, Winter 2011/2012.

[15] Jordan Yahiro and Bradley T. Heim, "Projecting the Effect of the Excise Tax on High Cost Employer Sponsored Health Coverage on Health Care Consumption, SPEA Undergraduate Honors Thesis, Spring 2014. Another study in 2011, estimated 6.6 percent of single plans and 6.3

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[16] Author calculations based on data from: U.S. Department of Labor, Employee Benefits Security Administration, "Group Health Plans Report: Abstract of 2010 Form 5500 Annual Reports," March 2014, Table A9; U.S. Census Bureau, "Survey of Public Pensions: State-Administered Defined Benefit Data," 2013 (data used as proxy for number of self-insured state and local health care plans); and Jordan Yahiro and Bradley T. Heim, "Projecting the Effect of the Excise Tax on High Cost Employer Sponsored Health Coverage on Health Care Consumption," SPEA Undergraduate Honors Thesis, Spring 2014, Table 4.

[17] Bureau of Labor Statistics, "Employer Costs for Employee Compensation," Second Quarter 2014, http://www.bls.gov/ncs/ect/#data.

[18] Office of Management and Budget, Analytical Perspectives, Budget of the United States Government, Fiscal Year 2015, Table 12-5, March 2014.

[19] Congressional Budget Office, Updated Estimates of the Effects of the Insurance Coverage Provisions of the Affordable Care Act, Table 1, April 2014.

[20] Congressional Budget Office, Updated Estimates of the Effects of the Insurance Coverage Provisions of the Affordable Care Act, April 2014. According to CBO, this estimate "is from the effects on revenues of changes in employees' taxable compensation and, to a lesser extent, in employers' deductible expenses."

[21] When presented with this projection, CHROs for large employers largely discount it, saying that they will continue to benchmark wages according to market forces, and not divert reduced spending on benefits to higher wages. However, for the purpose of the analysis, we took CBO's projections at face value. Moreover, should employers increase the taxable wages of employees, a significant portion of the increase in take-home pay may be spent on higher out-of-pocket health care expenses as deductibles, copays, and out-of-pocket limits increase in the future.

[22] Author calculations based on data from: Congressional Budget Office, Updated Estimates of the Effects of the Insurance Coverage Provisions of the Affordable Care Act, Table 1 and Table 2, April 2014; Kaiser Family Foundation, Employer Health Benefits Survey, 2014 Annual Survey, Exhibit 1.9 and 1.10; and U.S. Census Bureau, Current Population Survey, March Supplement, 2014 public use data file available at: http://thedataweb.rm.census.gov/ftp/cps_ftp.html#cpsmarch.

[23] Congressional Budget Office, Updated Estimates of the Effects of the Insurance Coverage Provisions of the Affordable Care Act, April 2014. Previously, CBO and the JCT estimated that about 20 percent will come directly from employers, TPAs, and issuers (see Paul N. Van de Water, "Excise Tax on Very High-Cost Health Plans Is A Sound Element of Health Reform," Center for Budget and Policy Priorities, November 10, 2009).

[24] Author calculations based on data from: U.S. Department of Labor, Employee Benefits Security Administration, "Group Health Plans Report: Abstract of 2010 Form 5500 Annual Reports," March 2014, Table A9; U.S. Census Bureau, "Survey of Public Pensions: State-Administered Defined Benefit Data," 2013 (data used as proxy for number of self-insured state and local health care plans); Jordan Yahiro and Bradley T. Heim, "Projecting the Effect of the Excise Tax on High Cost Employer Sponsored Health Coverage on Health Care Consumption," SPEA Undergraduate Honors Thesis, Spring 2014, Table 4; Congressional Budget Office, Updated Estimates of the Effects of the Insurance Coverage Provisions of the Affordable Care Act, Table 1, April 2014; and U.S. Census Bureau, "Number of Firms, Number of Establishments, Employment, and Annual Payroll by Small Enterprise Employment Sizes for the United States and States: 2011, December 2013.

[25] Updated estimate from an HR Policy member.

[26] These examples come from a 2014 survey of HR Policy Association members unless otherwise noted. See: Tevi D. Troy and D. Mark Wilson, "The Cost of the Affordable Care Act to Large Employers," American Health Policy Institute, April 2014.

[27] Kaiser Family Foundation, Employer Health Benefits Survey, 2014 Annual Survey, Exhibit 6.4.

[28] Deloitte, "What North America's Top Finance Executives are Thinking – and Doing," CFO Signals, 1st Quarter 2014.

[29] National Business Group on Health , "Large Employers' 2015 Health Plan Design Survey," August 13, 2014.

[30] National Business Group on Health , "Large Employers' 2015 Health Plan Design Survey," August 13, 2014.

[31] Towers Watson, "U.S. Employers Expect Health Care Costs to Rise 4% in 2015," August 20, 2014.

[32] HR Policy Association, "2014 Chief Human Resource Officer Survey," February 2014.

[33] National Business Group on Health , "Large Employers' 2015 Health Plan Design Survey," August 13, 2014.

[34] AHPI estimate based on proportional adjustment to latest CBO estimate. Actual CBO scoring may yield a different revenue estimate.

[35] These examples come from a 2014 survey of HR Policy Association members. See: Tevi D. Troy and D. Mark Wilson, "The Cost of the Affordable Care Act to Large Employers," American Health Policy Institute, April 2014.

[36] *Id*.

[37] Updated estimate from an HR Policy member.

[38] These examples come from a 2014 survey of HR Policy Association members. See: Tevi D. Troy and D. Mark Wilson, "The Cost of the Affordable Care Act to Large Employers," American Health Policy Institute, April 2014.

[39] *Id*.

[40] *Id*.

[41] Provided by Milliman; employer names withheld for confidentiality reasons.

[42] *Id*.

[43] *Id*.

[44] *Id*.

[45] Mark J. Magyar, "Christie Cites 'Cadillac Tax' In Push To Cut Public Employee Benefits," NJSpotlight, July 30, 2014, http://www.njspotlight.com/stories/14/07/30/christie-cites-cadillac-tax-in-push-to-cut-public-employee-benefits/?p=all.

[46] Kate Taylor, "Health Care Law Raises Pressure on Public Unions," New York Times, August 4, 2013, http://www.nytimes.com/2013/08/05/nyregion/health-care-law-raises-pressure-on-public-employees-unions.html?pagewanted=all&_r=0.

[47] Ben Sutherly, "Affordable Care Act's 'Cadillac tax' Might Hit City Hard," The Columbus Dispatch, March 8, 2014, http://www.dispatch.com/content/stories/local/ 2014/03/08/cadillac-tax-might-hit-city-hard.html.

[48] HR Policy Association, "2014 Chief Human Resource Officer Survey," February 2014. HR Policy Association represents the Chief Human Resource Officers of more than 360 of the largest employers doing business in the United States and globally. Each year, the Association conducts a survey of its members in February, and the 2014 survey was devoted almost exclusively to the future of the U.S. health care system.

[49] HR Policy Association, "2013 Chief Human Resource Officer Survey," February 2013.