

# PRESERVE EMPLOYER-SPONSORED HEALTH INSURANCE

## BACKGROUND

Employer-Sponsored Insurance (ESI) is the most common type of health coverage in the United States, with more than 177 million Americans depending on it. American businesses rely on benefit programs to recruit and retain a talented workforce and to incentivize healthy behavior. American businesses are highly motivated to control health costs while maintaining a healthy, engaged workforce. Eighty-three (83) percent of employers with group health plans offer wellness programs.

Placing arbitrary limits on the tax exclusion hinders employers' ability to offer a sustainable benefit package that meets the needs of their employee population. The cost of employer-sponsored coverage is not treated as taxable income or wages to the employee. Some in Congress want to tax employees on the cost of their health care benefits. The Affordable Care Act also included an assault on these employer-sponsored plans by adopting the "Cadillac Tax," a 40 percent excise tax on health plans exceeding \$10,200 for an individual and \$27,500 for a family. Congress recently delayed implementation of the Cadillac Tax to 2022.

## THE ISSUE

Imposing a tax on employer-sponsored health plans is a dangerous policy experiment that could significantly erode employer-sponsored health coverage. Any cap on the tax exclusion or an excise tax on benefit packages is a direct tax on employees and the middle class. According to the American Health Policy Institute, capping the tax exclusion will increase the burden of the tax, which will ultimately fall on a significant number of hardworking employees and their families.

Supporters of taxing benefits claim they need the funds to offset the Congressional Budget Office's purported \$87 billion price tag for repealing the Cadillac Tax. That figure was based on a presumption that companies would increase taxable wages as they decrease benefits to avoid the tax. But data shows that's actually not the case, and Congress should not undermine Employer-Sponsored Insurance by adding a tax to compensate for the repeal of the Cadillac Tax.

## OUR POSITION

The Council of Insurance Agents & Brokers urges Congress to preserve the tax treatment of employer-sponsored health insurance and oppose any assault to the current tax treatment. Congress should protect employer-sponsored insurance.

## ABOUT US

The Council of Insurance Agents & Brokers is the premier association for the top regional, national and international commercial insurance and employee benefits brokerage firms worldwide. Council members are market leaders who annually place 85 percent of U.S. commercial property/casualty insurance.

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