Got a Great Health Plan? Get Ready to Kiss It Goodbye


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By BETH BRAVERMAN, The Fiscal Times
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Under Obamacare, the government won't start taxing employers who offer so-called "Cadillac" health benefits to their workers for another five years, but companies are already starting to cut back on such plans.

"Employers can't wait until 2018 and make one huge change to their plans," says Tracy Watts, a senior partner with Mercer. "They're already starting making changes now, so that in 2018 it won't be as hard for employees."

Under the Affordable Care Act, companies will have to pay an excise tax on plans that cost more than $10,200 for an individual or $27,500 for a family. The employer will have to pay a 40 percent tax on the cost each plan above those levels. (There will be higher thresholds for retiree health plans and for high-risk professions, though the details of those have yet to be announced.)

Many people would be surprised to learn that their current plan would be considered a "Cadillac" plan under Obamacare rules.

"Most of us pay high premiums, and don't feel like we have a high-cost policy," says Cynthia Weidner, vice president of health and welfare and consulting at HighRoads. "Everyone thinks, 'I don't have a Cadillac plan, my coverage stinks.'"

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Actually, even the average health plan costs more than the Cadillac thresholds mandated by Obamacare - about $10,522 per employee, according to the Society for Human Resource Management. (The law includes premiums paid by both the employer and the employee.) At that price, employers would pay a 40 percent tax on the $322 difference—about $130. For a company with 10,000 employees, that equates to a $1,300,000 tax bill.

The Fiscal Times

However, it's not just large companies that are worrying about the excise tax. "It's an issue for every single employer, particularly for state and local governments," says J.D. Piro, senior vice president of Aon Hewitt's health and benefits legal team. "Governments tend to offer more expensive health benefits than private businesses, and workers often accept lower wages in exchange for those benefits." (For this reason, unions strongly objected to this provision in the law before it was passed.)

Making it more difficult for employers, some of the minimum requirements of health plans under Obamacare are driving up the cost of plans, just as employers are looking for ways to push costs down. All plans, for example, must now fully cover all preventative care treatments, maternity care, and emergency care.

A Mercer study conducted last year found that 42 percent of employers said that if they made no changes to the plan, they'd be hit by the excise tax in 2018. Mercer projects that it will hit 55 percent of employers by 2022. The survey found that 59 percent of employers would take steps to lower the cost of their plan, with 26 percent

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Critics of the Cadillac component of Obamacare claim that tying the tax merely to the total cost of the plan unfairly puts the burden on smaller companies and those with older, sicker work forces, because they may pay more money for coverage that's not as generous as that of bigger firms with better bargaining power with the insurers. "Because the tax is triggered by high premiums, the tax will hit many workers with ordinary, not exceptionally generous health plans," Elise Gould wrote in a May paper for the Economic Policy Institute.

The "Cadillac" thresholds are indexed to inflation, but healthcare costs have historically increased at a faster pace than inflation, so it will hit an increasing number of employers each year. The intent of the tax is to force consumers with the best health plans to have to pay more costs out of pocket, which, in theory, would force them to make more cost-conscious decisions when it comes to expensive tests and frequent doctor's visits.

Already, companies are increasing the share of costs shouldered by employees by raising deductibles on the plans that they offer. From 2008-2011, the average employee's deductible increased 17 percent from 2008-2011, but last year alone the deductible went up 13 percent.

In addition to higher deductibles, employers are raising copays and reducing prescription drug coverage as much as possible while still meeting the ACA mandates. They're also offering new, lower-cost plans to employees and increasing the employee-cost of their most comprehensive plans. Employers are hoping this will drive more consumers into the lower-priced plans and allow them to eventually drop the highest-priced plans, Watts says.

Looking beyond health insurance plans themselves, employers are increasingly turning to wellness programs as a means of cutting their healthcare costs, Piro says. So expect to see even more benefits like gym reimbursement, smoking cessation initiatives, and disease management programs.

Another option that more employers are considering is moving toward a defined-benefit health plan, in which they give their employees a set amount of cash (below the Cadillac threshold), and allow them to choose and purchase insurance for themselves via private exchanges. The upshot of such benefits is that employees can design and select their own plan options, but the overall value of their plans will still likely be less than their benefits they currently enjoy.

"It's ironic because the point of the Affordable Care Act was to expand coverage to the 30 million people who don't have it," Watts says. "But a byproduct of that is that the employer-sponsored plans just aren't going to be as good as they once were."

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Not sure I agree with the premises of this article, lots of speculation and fact: companies will have to pay a 40% tax on all plans over $10,200. Personally, types of benefits, but that's speculation on my part). The article says that en pay an additional 1.3 million dollars.

Here are the problems with this. First, it's a small number of employers. Pe had that level of emplyment. Second, just because they have 10,000 employ the cadillac plans. http://www.census.gov/econ/sma.... It also assumes that the evidence from CA and other places is that the Exchanges are slightly rei employers changing to lower value plans or raising co-pays have been a fac decade as healthplans have had double-digit increases for the last dozen ye

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The entire premise of this article is false. Either the author (and so-called jou misunderstands the concept of "cost per employee." The fact that the averag not mean that the average employee has a "Cadillac" health plan. In fact, the insurance for my entire family through my employer it isn't considered a "Ca until the cost rises above $27,500. If even half of the covered employees hav "average cost per employee" up above $10,200 with NONE of the plans bein makes sense if every employee covered by their employers only have individ misinformation helping to keep so many in this country woefully misinformed arrogant people shout their false claims so confidently.

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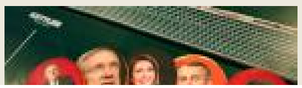

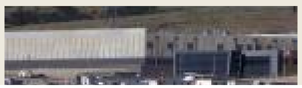

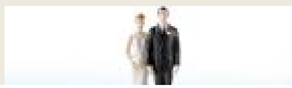

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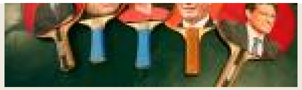

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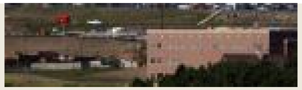

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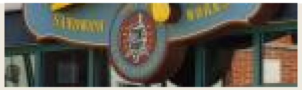

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