



# FIRST FOCUS

CAMPAIGN FOR CHILDREN

February 7, 2017

The Honorable Dean Heller  
United States Senate  
Washington, D.C. 20510

The Honorable Martin Heinrich  
United States Senate  
Washington, D.C. 20510

The Honorable Mike Kelly  
U.S. House of Representatives  
Washington, D.C. 20515

The Honorable Joe Courtney  
U.S. House of Representatives  
Washington, D.C. 20515

Dear Senators Heller and Heinrich and Representatives Kelly and Courtney:

I am writing on behalf of First Focus Campaign for Children, a bipartisan advocacy group working to make children and families a greater priority in federal budget and policy decisions, in support of your reintroduction of S. 58/H.R. 173, the Middle Class Health Benefits Tax Repeal Act of 2017. This legislation repeals the “Cadillac Tax,” which is a 40 percent excise tax on the cost of employer-sponsored health coverage that exceeds a certain and rather arbitrary premium benefits threshold of \$10,800 for self-only coverage and \$29,100 for family coverage in 2020.

The threshold was set but is not adjusted for regional differences in health care costs or family health plan expenses. For example, the “Cadillac Tax” sets the threshold for family plans at 2.69 times the expense of that for individuals. However, according to a recent report by the Kaiser Family Foundation and Health Research and Education Trust (HRET), the average premium cost for family coverage is 2.82 times greater than individual coverage. Thus, the excise tax will more heavily fall upon family plans, and thereby, children. As an example, Table 1, which is attached, shows a hypothetical company and how the “Cadillac Tax” could disproportionately harm family plans, and specifically children.

This will incentivize both employers and health plans to shift ever more and more costs, such as deductibles and copayments, or to impose more coverage limitation upon the benefits included in family plans, including coverage specific to the needs of children. The “Cadillac Tax” would compound an enormous problem that is already inherent in the affordability of family coverage in the private sector, as employers are far more generous for health coverage to individual workers than to their families.

According to the Kaiser/HRET study, “On average, covered workers contribute 18 percent of the premium for single coverage and 30 percent of the premium for family plans...” Only 2 percent of those in single coverage plans pay more than half the total premium compared to 15 percent of workers in family plans. Consequently, the average annual employee share of the premium was \$1,129 for single coverage and \$5,277 for family coverage in 2016, or 367 percent more for family plans.

Since those numbers reflect the average cost of employer plans, the disparity is even worse for many families. For example, the Kaiser/HRET survey finds that in firms that even offer family coverage (and some do not), “45 percent of small firms and 18 percent of large firms provide the small dollar contribution for single and family coverage, which means that employees must pay the full additional premium cost to enroll family members in their plan...”

Due to having to absorb higher premiums and out-of-pocket costs, including deductibles and copayments, families with children face an ever-growing problem finding affordable employer health coverage. This is part

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of the reason why Kaiser Family Foundation has found that 59 percent of adults but just 48 percent of children have employer-sponsored coverage.

Consequently, delaying or eliminating the “Cadillac Tax,” as your legislation does, is important in protecting what tenuous employer health coverage some families currently have for their children. In support of protecting the health of families with children, we strongly support your bipartisan legislation – the Middle Class Health Benefits Tax Repeal Act of 2017.

Sincerely,

A handwritten signature in blue ink that reads "Bruce Lesley". The signature is written in a cursive, flowing style.

Bruce Lesley  
President

**Table 1: Hypothetical “Cadillac Tax” Scenario in 2020**

	Total Premium	Tax Threshold	Taxable Amount	Tax Rate	Tax Per Plan	# of Workers	Effective Impact
Individual	\$10,900	\$10,800	\$100	40%	\$40	50	\$2,000
Family	\$30,738	\$29,100	\$1,638	40%	\$656.20	50	\$32,760
Total							\$34,760

In this example, the family coverage cost is set at 2.82 times the cost of individual coverage, which is the average of the current differential in costs. As this scenario shows, health coverage that is slightly above the “Cadillac Tax” thresholds set in current law for 2020 would potentially cause this hypothetical business to pay a \$34,760 excise tax.

Unfortunately, 94 percent of the cost of the excise tax would be created by the premium costs of family coverage.

As a result, the business would face the choice of either paying the excise tax or shifting a greater share of the cost of family coverage on the families with children, such as through higher deductibles, larger copayments, or benefit limitations. If this business were looking to minimize the impact on their individual employees or adults, the most likely way to do so would be to impose these limitations or extra costs on children’s coverage or pediatric care.