

Cadillac Tax

OPERS urges repeal of the Affordable Care Act excise tax on health care plan sponsors, known as the “Cadillac tax.”

BACKGROUND INFORMATION

Issue: A recent study showed nearly half of U.S. employers would have been subjected to the Cadillac tax in 2018, and 80 percent of employers would reach it by 2023. The excise tax will inflate health care costs for OPERS retirees.

- The excise tax is a 40 percent charge that would be imposed on OPERS and other plan sponsors when the total premium cost of a health care plan exceeds \$10,200 for re-employed retirees and retirees under 55. The threshold is \$11,850 for retirees 55 and older who are not re-employed.
- OPERS’ current plan for single coverage costs \$11,500. With the rising cost of health care, we would have been subjected to an estimated \$25 million in taxes the first year alone if we had retained the same level of health care coverage we have now.
- OPERS has already increased out-of-pocket expenses, including deductibles and copays, in anticipation of the excise tax.
- Retiree-only plans, such as the one sponsored by OPERS, face significant cost increases compared with active-employee plans.
- OPERS has joined with other members of the broad-based Alliance to Fight the 40 Coalition, comprised of public and private sector employer organizations, unions, health care companies, businesses and other stakeholders that support employer-sponsored health coverage that seeks to repeal the 40 percent tax on employee health benefits.
- The tax would cost OPERS millions of dollars and would cause us to shift more health care costs to our retirees. We need to act well in advance of the tax’s 2020 implementation date to prevent further cost increases and potential coverage reductions.