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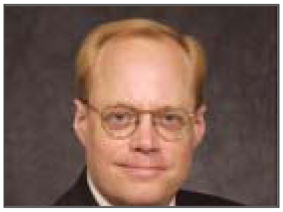

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After Like Your Plan, Keep Your Plan, Even Democrats Want To Repeal Obamacare's Cadillac Tax

Reps. Joe Courtney (D-Conn.), Donald Norcross (D-N.J.) and Dina Titu (D-Nev.) have introduced the Middle Class Health Benefits Tax Repeal Act to repeal the Cadillac tax. It isn't set to take effect until 2018, but it is already clear the tax will hit many who are not wealthy. That is especially true in high-cost urban areas that have particularly expensive health costs. When House Speaker Nancy Pelosi urged passage of Obamacare so we could find out what's in it, few worried about the Cadillac tax.

At that point, the tax was eight years away. Besides, if you like your plan, you can keep your plan. And this tax would apply only to rich plans for the most uber-elite. 2018 now seems close, and the numbers no longer seem elite. In addition, we have seen too many 'like your plan keep your plan' promises that later had to be chalked up to 'misunderstandings.'

The Cadillac tax is a whopping 40% excise tax. It applies to individual health plans worth more than $10,200 and family plans worth more than $27,500. Former Obamacare adviser Jonathan Gruber gloated that rising medical costs would ensure that the Cadillac tax would all but eliminate tax deductible company provided health insurance. Mr. Gruber even said President Obama was in the room when the Cadillac tax lie was created.

Many Democrats and Republicans may be curiously aligned in considering repealing it. Politico said that repealing the tax would cost $87 billion. Even so, the 40% excise tax will clearly be a catastrophe. Companies and unions must plan ahead as they negotiate benefits.

Whatever else it is, the Cadillac tax name is a misnomer. It will apply to many benefits that are not elite. Company provided health benefits have not been taxed for generations. And that is exactly what the Cadillac tax does. It is broad too, applying to health savings and flexible spending accounts, supplemental insurance plans, and more.

Even plans that are not hit by the 40% tax in 2018 soon could be. After all, the Cadillac tax is linked to the consumer price index plus 1%. Medical and insurance costs are growing far faster, so more and more plans will be hit with the 40% each year. A survey by Mercer anticipates that one-third of employers will be hit by the tax in 2018, growing to 60% by 2022. It could be worse still.

And this is just want we know so far. It could be far worse. The IRS has already showcased how incredibly complex this tax will be, setting out approaches to the excise tax. Of all the taxes in the ironically named Affordable Care Act, none is more onerous, a whopping 40% on top of all other federal taxes. It is an excise tax, one of the most dreaded taxes there is. It *sounds* as if it taxes overly generous employer-provided health care plans for executives.

In reality, it seems likely to primarily hit union plans. Unions that have negotiated for generous health benefits may now wish they hadn't. Across the board, the Cadillac tax puts pressure on employers to offer less-generous health insurance plans. The 40% tax is imposed on the cost of individual health plans above $10,200 for individuals and $27,500 for family coverage. The tax applies at a 40% rate on every dollar above those thresholds.

A reasonable response to the Cadillac tax is likely to be cutting of health insurance. Less generous coverage will presumably be provided. In large part, the result is likely to higher costs for employees, higher deductibles, and other add-ons that will harm employees. Doesn't that go directly contrary to what proponents of the Affordable Care Act–including the President–represented? Like your plan, keep your plan?

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