

South Florida Hospital News[®] and HEALTHCARE REPORT

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Can Your Company Afford the Cadillac Tax?

Beginning in 2018, employers who offer high-cost health plans will face the 'Cadillac' tax—a 40 percent excise tax levied on individual insurance plans costing \$10,200 or more, and family plans costing \$27,500 and up.

The purpose of the levy, which applies to the value of the plans above those thresholds, is twofold: first, to give employers and employees an incentive to shift from traditional higher-cost plans to lower-cost policies with higher deductibles, which will discourage employees from using health care services that they don't really need; and second, to help finance the Affordable Care Act (ACA) by generating roughly \$12 billion in 2018 and \$20 billion in 2019 to pay for the cost of providing health care for the uninsured. According to Congressional Budget Office estimates, the tax is expected to raise more than \$87 billion over 10 years.

However, a number of legislators from both parties are working to find a way to roll back the tax, and in its stead, find another source of funding to replace the money that will be lost. They face challenges from Affordable Care Act supporters who oppose repealing the law, and from many



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conservatives, who, instead of seeing one part of the law retracted, want to see the entire ACA abolished.

Despite the fact that the tax will begin in 2018, some companies have already begun paring back benefits as a way of avoiding the 40 percent tax. Employees may also be seeing increases in what they spend on health care as they adopt plans with higher deductibles, something that alarms unions, businesses and insurers, and has resulted in many of them supporting the tax's repeal.

If the tax is repealed, another source of funding will need to be found to offset the revenue loss, and despite there being two repeal bills currently pending in the House and two in the Senate, none of these bills offers an explanation as to where that money will come from. The Obama administration opposes repeal, citing that the tax will help reduce the deficit.

If your company may be affected by the Cadillac Tax, talk to a Marcum expert to learn more about your options. You can reach Michael Curto at Michael.Curto@marcumllp.com or (954) 320-8000.