

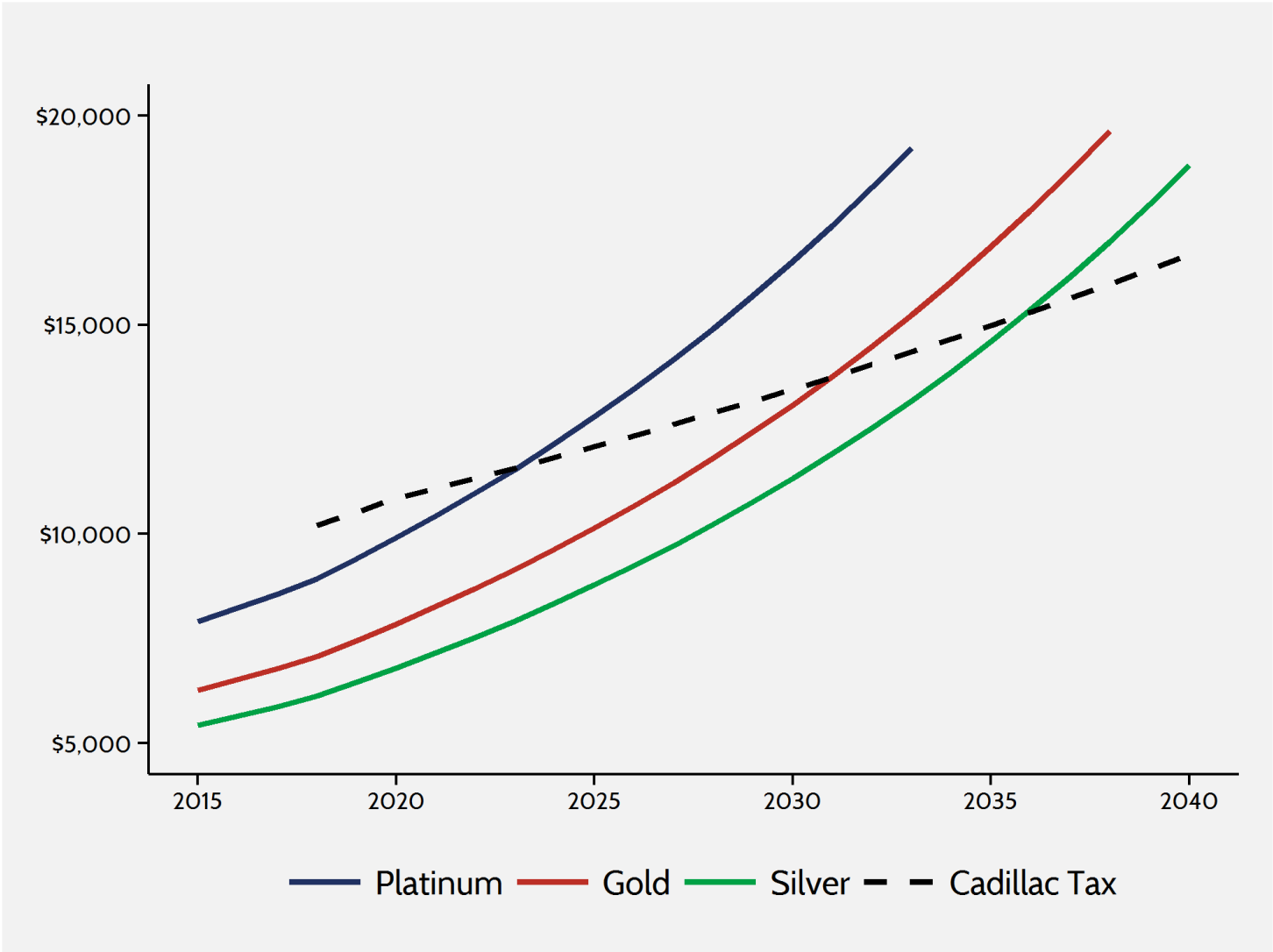


Weekly Checkup

What Types of Plans Will be Hit by the Cadillac Tax? And When?

CONOR RYAN | APRIL 8, 2015

The Affordable Care Act includes an excise tax on high-cost employer-sponsored insurance, commonly referred to by the rhetorical auto analogy, “Cadillac Tax.” It is designed to slowly increase taxes on the otherwise tax-exempt insurance premiums paid through an employer. Beginning in 2018, insurance plans with a total cost of single coverage greater than \$10,200 (or \$27,500 for family coverage) will be subject to a 40 percent tax on the dollar value of the premium in excess of that threshold. The tax will affect relatively few plans at first, more plans of increasingly modest benefit will gradually become subject to the tax. The Cadillac Tax threshold is indexed to the rate of inflation which has historically been 3 to 4 percentage points lower than the growth rate for employer sponsored health insurance premiums.^[1] To demonstrate the encroaching threshold, the chart below projects individual market premiums relative to the Cadillac Tax threshold over the next 35 years.^[2] While individual market plans are not actually affected by the tax, the metal level designations provide a benchmark for the employer sponsored benefits that will be taxed.



[1] The tax threshold will increase by one percentage point greater than inflation for the first two years.