

# LEGISLATIVE BRIEF

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## CADILLAC TAX FACT SHEET

### Overview

The Cadillac Tax is an excise tax scheduled to take effect in 2018 to reduce health care usage and costs by encouraging employers to offer plans that are cost-effective and engage employees in sharing in the cost of care.

It is a 40% tax on employers that provide high-cost health benefits to their employees.

This fact sheet is based on our current understanding of the Cadillac Tax. Final regulations have not been issued, and we expect further guidance before the tax is assessed.



#### What it is/fee duration

Permanent annual tax beginning in 2018 on employers that provide high-cost benefits through an employer-sponsored group health plan.

#### Purpose

To generate \$80 billion over the next 10 years to help finance the expansion of health coverage.

#### Amount

- The tax is 40% of the cost of plans that exceed predetermined threshold amounts.
- Cost includes the total premiums paid by both employers and employees, but not cost-sharing amounts such as deductibles and copays when care is received.
- For planning purposes, the thresholds for high-cost plans are \$10,200 for individual coverage, and \$27,500 for family coverage.
- These thresholds will be updated for 2018 when final regulations are issued and indexed for inflation in future years.
- The thresholds will also be adjusted for:
  - High-risk professions such as law enforcement and construction.
  - Group demographics including age and gender.
- For pre-65 retirees and individuals in high-risk professions, the threshold amounts are \$11,850 for individual coverage and \$30,950 for family coverage.

#### Who calculates and pays

**Insured:** Employers calculate and insurers pay  
**Self-funded:** Employers calculate and pay

<b>How a plan's cost is determined</b>	The tax is based on the total cost of each employee's coverage above the threshold amount. The cost includes premiums paid by employers and employees plus: <ul style="list-style-type: none"> <li>• Employer and employee contributions to Health Care Flexible Spending Accounts, Health Reimbursement Accounts and Health Savings Accounts.</li> <li>• The cost of Employee Assistance Plans with counseling benefits, onsite medical clinics and wellness programs.</li> </ul>
<b>How the tax will be paid</b>	Forms and instructions for paying the tax are not yet available.
<b>Tax implications</b>	Not tax deductible.
<b>Business affected</b>	Insured and self-funded group health plans.
<b>Business excluded</b>	<ul style="list-style-type: none"> <li>• U.S.-issued expatriate plans for most categories of expatriates</li> <li>• Stand-alone dental</li> <li>• Stand-alone vision</li> <li>• Accident coverage</li> <li>• Disability benefits</li> <li>• Long-term care insurance</li> </ul>

**How it works: Examples based on current threshold amounts**

**Self-only coverage:** A \$12,000 individual plan would pay an excise tax of \$720 per covered employee:  
**\$12,000 - \$10,200 = \$1,800 above the \$10,200 threshold**  
 $\$1,800 \times 40\% = \$720$

**Family coverage:** A \$32,000 family plan would pay an excise tax of \$1,800 per covered employee:  
**\$32,000 - \$27,500 = \$4,500 above the \$27,500 threshold**  
 $\$4,500 \times 40\% = \$1,800$

**These charts show how the tax increases as the plan's cost increases.**

**Self-only coverage**

Plan Cost	\$11,000	\$12,000	\$13,000	\$14,000	\$15,000
Tax	\$320	\$720	\$1,120	\$1,520	\$1,920

**Family coverage**

Plan Cost	\$28,000	\$30,000	\$32,000	\$34,000	\$36,000
Tax	\$200	\$1,000	\$1,800	\$2,600	\$3,400