SURVEY SAYS

Employers Continue Efforts to Reduce Health Benefit Costs

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The "Cadillac Tax" is a 40 percent excise tax on the cost of employer-sponsored health coverage that exceeded certain cost thresholds. As originally enacted by the Affordable Care Act ("ACA"), the Cadillac Tax was non-deductible and scheduled to begin in 2018. Although the tax was intended to only impact "high-cost" plans, recent studies suggest that even plans with modest actuarial-values will eventually trigger the tax.

Last December, Congress passed and the president signed spending and tax legislation that included a two-year delay to the Cadillac Tax. The legislation also significantly reduced the overall cost burden on employers by making the payment tax deductible. Another benefit of the delay is that the 2020 threshold will likely be increased as a result of the indexing provisions contained in the unamended Cadillac Tax regulations.

To view the complete survey results visit www.thepeec.com.

RECENTLY,

THE PRIVATE EXCHANGE EVALUATION COLLABORATIVE CONDUCTED A SURVEY TO GAUGE EMPLOYERS' REACTIONS TO THE DELAY IN THE CADILLAC TAX. THE KEY FINDINGS ARE SUMMARIZED BELOW:

NEARLY 63%

BELIEVE THAT THE TAX WILL ULTIMATELY GET REPEALED.

17%

of respondents have either already adopted or plan to adopt a defined contribution plan, while 58 percent have delayed or are unsure whether they will implement this strategy.

MANY EMPLOYERS BELIEVE WELLNESS PROGRAMS ARE ONE OF THE FEW STRATEGIES THAT MAY POTENTIALLY LESSEN EXPOSURE TO THE CADILLAC TAX, 71 PERCENT OF RESPONDENTS HAVE INCREASED OR WILL INCREASE THE USE OF WELLNESS PROGRAMS.

NEARLY 50% **OF RESPONDENTS HAVE ALREADY INCREASED OR PLAN TO INCREASE EMPLOYEE COST SHARE.**

DESPITE SOME WELLNESS INCENTIVES BEING INCLUDED IN THE COST OF COVERAGE CALCULATIONS FOR PURPOSES OF THE CADILLAC TAX, 52 PERCENT PLAN TO ADD OR EXPAND INCENTIVES.

SURPRISINGLY SEVENTEEN PERCENT OF respondents indicated that they will not consider offering a HDHP among other plans, while 68 percent report that they already offer, or plan to offer, a HDHP.

FEW EMPLOYERS ARE TAKING MORE AGGRESSIVE ACTIONS SUCH AS:	
4%	CAPPING PRE-TAX CONTRIBUTIONS.
2%	PERMITTING EMPLOYEE HDHP CONTRIBUTIONS ONLY ON AN AFTER-TAX BASIS.
16%	CONTRACTING DIRECTLY WITH LOCAL PROVIDERS.
1%	AMENDING HDHPS TO ELIMINATE SALARY REDUCTION CONTRIBUTIONS.

Interestingly, 17 percent of respondents have already reduced benefits in preparation for the tax, while another 17% have postponed this action in light of the tax's delay.

The 2016 election cycle will likely have a significant impact on the future of the Cadillac Tax. Employers Health will provide additional analysis as new developments emerge.