



Taxing Employer Sponsored Health Insurance is Wrong for Working Families and ALPA Members

- The tax exemption for employer provided health care benefits overwhelmingly benefits middle class American workers. Approximately two thirds of Americans and 100% of ALPA Members have health insurance benefits available through their employer.
- 80% of Americans oppose taxing employer provided health care benefits. Last Congress, 160 Members of Congress signed a bipartisan letter opposing efforts to eliminate or cap health care tax exclusions.
- Employer provided health care benefits provide the insured with lower rates through effective administration, large risk pools and increased bargaining power with insurers.
- Independent and internal ALPA analysis of one proposal to tax employer-provided health benefits (Simpson-Bowles) found that 61% of all families and 84% of ALPA pilots would endure increased costs by 2018.
- Eliminating or capping the tax exclusion for employers will incentivize businesses to drop coverage or to further shift health costs onto employees by offering plans with higher cost sharing and out of pocket costs.
- Taxing health benefits is not the right way to balance our budget. These proposals threaten economic growth as 70% of our economy is supported by consumer spending. If families must pay more for their health care they will have less to spend on non-health care products, including airline travel, threatening the fragile economic recovery.
- Working families already have plenty of “skin in the game.” Average medical out-of-pocket expenses for families with private insurance increased 80% between 1996 and 2009.¹
- Findings from the Rand Health Insurance Experiment have shown that higher cost sharing and out of pocket health costs lead to adverse health outcomes in vulnerable populations and that cost-sharing is “not necessarily an effective mechanism for significantly slowing health care spending.”²
- Furthermore, taxing health benefits may not deliver the cost savings sought by Congressional leaders. An analysis by Jonathan Gruber found that millions more would be uninsured as a result of a cap or repeal on the ESI tax exemption. This will drive up federal spending on uncompensated care, exchange subsidies, and Medicaid as employees seek coverage to replace their lost employer care.³

¹ <http://www.kff.org/insurance/upload/7670-03.pdf>

² http://www.naic.org/documents/committees_b_senior_issues_110628_rwjf_brief.pdf

³ NBER working paper 15766, Feb. 2010