



AMERICAN BENEFITS COUNCIL

Protect employer-provided health plans in tax reform. Most Americans get health insurance through plans voluntarily sponsored and financed by their employers. Long-standing tax rules that protect employees from tax on health coverage are a major reason employer-provided health insurance is so prevalent. Even seemingly modest changes in those tax rules would result in dangerous disruption that would include increased costs of health insurance for employees and the potential loss of health care protection as more employers drop health plans or reduce the scope of coverage. With employers already under enormous stress from the uncertainty and costs of Patient Protection and Affordable Care Act (PPACA) implementation, this is not the time to change the tax rules for employer-provided health plans.

ROBUST EMPLOYMENT-BASED HEALTH PLANS ARE ESSENTIAL

- **Employer-Provided Health Plans are the Dominant Source of U.S. Health Coverage:** Workplace health plans protect 156 million Americans, covering almost 90% of those with non-governmental insurance. Overall, 68% of the adult population under age 65 and about 55% of children under age 18 are covered by employment-based health plans (EBRI 2012).
- **Employers Pay for the Bulk of Coverage:** Employers pay an average of 82% of individual employee health care costs for covered workers and 71% of the cost of family coverage. (Kaiser Family Foundation and Health Research and Education Trust 2013). Employer contributions to health plans include payments of premiums, benefits, and expenses; along with taking on substantial fiduciary responsibilities.
- **Workplace Health Plans Offer System-Wide Advantages:** Employment-based health plans have a proven record of delivering quality health coverage and have been at the forefront of innovation, e.g., in wellness, cost containment, and the delivery of quality care.
- **Tax Rules are a Critical Reason Employers Provide Health Plans:** Employees (not employers) derive almost all of the tax benefits from today's health plan tax treatment, with employer-provided health coverage and health benefits excluded

from the employees' income (for both federal income and payroll tax purposes). This employee tax exclusion is a crucial factor in an employer's decision to maintain a health plan for employees and their families. Any significant changes in those tax rules would substantially increase what employees would have to pay for health insurance and health care and would likely accelerate the trend of more and more employers dropping health plans entirely.