

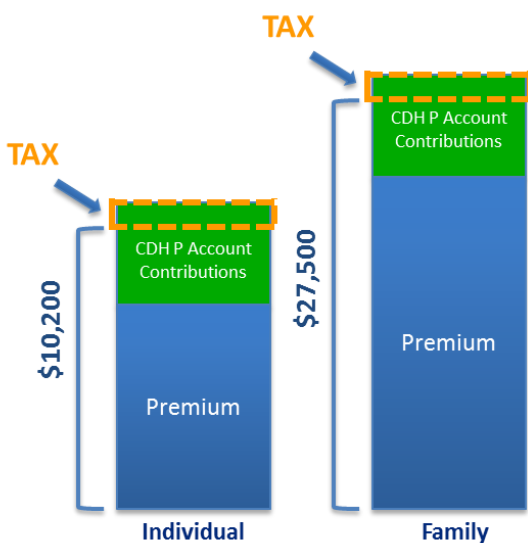


## What is the Cadillac Tax?

- ACA Excise Tax on High Cost Health Coverage
- Effective January 1, 2018
- 40%\* non-deductible tax on health care costs greater than:
  - **\$10,200** for Individual Coverage
  - **\$27,500** for Family Coverage
- The tax was intended to discourage excessively rich health plans that also have minimal consumer cost sharing

\* 61% effective rate including tax-on-tax gross-up

**48%**  
of employers  
expected to  
trigger tax in  
2018<sup>1</sup>



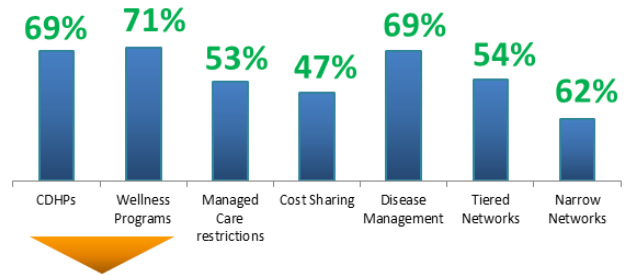
## How is the Tax Assessed?

- Tax is on **each employee that exceeds the set thresholds**
- Calculation includes premiums, on-site clinic costs and pre-tax **Employer and Employee contributions to HSAs, HRAs or FSAs**
- Excludes insured, stand-alone dental and vision coverage
- At least 48% of employers expected to trigger the Excise Tax in 2018; 82% could by 2023<sup>1</sup>, making the Cadillac Tax the rule rather than the exception, much like the Alternative Minimum Tax (AMT)

# Consumer-Driven Health Plans' Impact On Health Care

- It's estimated that **over 100 million Americans benefit from these accounts today**<sup>3</sup>
- One major health plan found that **CDHP's drove 7% lower spend on health care**, while increasing Primary Care Physician (PCP) visits and drug adherence<sup>4</sup>
- Companies increasing enrollment by 20% or more to their CDHP over the last year report average **cost trends of only 2%** over the period<sup>1</sup>
- CDHP participants are more likely to exhibit **cost-conscious behaviors and participate in wellness programs**<sup>5</sup>

Effectiveness of Strategies for Health Care Cost Reduction<sup>2</sup>



**Cadillac Tax directly affects two of the most effective strategies!**

## How the Cadillac Tax Hurts CDHPs

### COMPANY ABC



- Consumer-driven health plans have **proven to be one of most effective ways to reduce health care costs**
- The **Cadillac tax calculation includes pre-tax employee and employer contributions to CDHPs**, thereby penalizing the most affordable of healthcare plans
- **States that generally have higher costs of living will likely have plans that trigger the tax sooner**, rather than later
- Companies are looking to reduce all risk of the tax and are **considering significantly reducing or eliminating contributions to CDHP accounts**

***"[We are] considering eliminating the FSA entirely if it does not get excluded from excise tax calculations"***

*~Fortune 50 Company*

2. "Employer Health Benefits Survey 2014," Kaiser Family Foundation / Health Research & Educational Trust  
 3. Data compiled from U.S. Census Bureau and Visa research, July 2012; "U.S. Consumer-Driven Healthcare: Health Benefit Account Market Sizing", Aite Group, November 2013; "2014 Year-End Devenir HSA Research Report", February, 2015  
 4. 10th Anniversary Aetna HealthFund® study, Aetna  
 5. "Findings from the 2014 EBRI/Greenwald & Associates Consumer Engagement in Health Care Survey", Employee Benefit Research Institute, December, 2014