5 signs the Cadillac tax may be repealed

The Cadillac tax will not slow the growth of health care costs, but it will cost cash-strapped families, according to a new report from the American Health Policy Institute, a conservative think tank led by Tevi Troy, a former health official in the administration of President George W. Bush.

AHPI is adding its voice to an already-loud chorus of opposition to the tax, which will be levied on health plans worth more than $10,200 for individuals or more than $27,500 for families.

Most Republicans oppose the tax, along with many forces on the left, including labor unions, who fear the tax will lead to the end of generous employer-sponsored health benefits, and the two top Democratic presidential contenders, Hillary Clinton and Bernie Sanders.

According to AHPI's survey of HR officials from large employers, less than a third (30 percent) said they currently had health plans that would be impacted by the tax. However, nearly half of employers without current plans subject to the tax said they believed that their plans would rise to the level subject to the tax by 2023.

Although the threshold for the tax will increase over time, it will be tied to general inflation, rather than the health-specific inflation, which is rising faster. Of course, if the Cadillac Tax works the way its proponents hope, the rise of health costs will slow down in the coming years.

If they don't currently feel at risk, the Cadillac tax is clearly on employers' minds. The survey found that 90 percent report taking steps to avoid the tax in the future.

But it's far from clear that the steps most employers are taking are particularly meaningful. The survey found that 19 percent were trying to curtail employee contributions to flexible savings accounts and 13 percent were trying to reduce worker contributions to health savings accounts.

AHPI did not report how many employers planned to cut their own contributions to employee benefits. The organization did rely on polls done by other groups to predict that many businesses planned to shift more health costs onto their workers. A poll conducted by the National Business Group in August found that 38 percent of businesses envisioned reducing benefits.

Depressingly for workers, AHPI's study also found that only 16 percent of employers who plan on reducing benefits believe they will make up for the cuts with wage increases. In contrast, 71 percent say there will be no corresponding wage hike. It is this type of situation feared by unions, who have in many cases bargained for generous benefits in lieu of wages.

AHPI did not say much in response to the main argument for the tax advanced by its supporters – – that it will save everybody money by controlling rapidly-rising health care costs. The organization dismissed the claim as unrealistic.

"Some health care policy theorists say that the excise tax will curtail health care expenditures," stated the report. "Health care policy realists understand that solving the excise tax facing many employers as well as making changes to future payment policies are necessary to stave off a potential collapse of the employer-sponsored health insurance — a system that 175 million Americans rely on for health care."