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### Obamacare 40% Cadillac Tax Hits No Frills Plans Too. Like Your Plan, Keep Your Plan?

In 2010, House Speaker [Nancy Pelosi urged passage of Obamacare so we could find out what's in it](#). We found many new taxes, but in 2010, few worried about the [Cadillac tax](#) that was delayed until 2018. Besides, it would apply only to truly rich plans for the most elite. The numbers no longer seem so elite.

The tax applies to individual health plans worth more than \$10,200 and family plans worth more than \$27,500. They are hit with a whopping 40% excise tax. Former Obamacare adviser Jonathan Gruber gloated that rising medical costs would ensure that the Cadillac tax would all but eliminate tax deductible company provided health insurance. Mr. [Gruber even said President Obama was in the room when the Cadillac tax lie was created](#).



2018 now seems close and the Cadillac tax is looming. Many Democrats and Republicans may be curiously aligned in considering repealing it. [Politico has an in-depth story](#) on the Cadillac tax, noting that repealing it would cost \$87 billion. Even so, the 40% excise tax will clearly be a catastrophe. Rep. Frank Guinta (R-N.H.) introduced legislation to repeal it. Companies and unions must plan ahead as they negotiate benefits.

Plainly, the Cadillac name is a gross misnomer. It will apply to many benefits that are hardly elite. The sea change is enormous. Company provided health benefits have not been taxed for generations. And that is exactly what the deceptively named Cadillac tax does. It is broad too, applying to health savings and flexible spending accounts, supplemental insurance plans, and more.

Even plans that are not hit by the 40% tax in 2018 soon could be. After all, the Cadillac tax is linked to the consumer price index plus 1%. Medical and insurance costs are growing far faster, so more and more plans will be hit with the 40% each year. A survey by Mercer anticipates that one-third of employers will be hit by the tax in 2018, growing to 60% by 2022. It could be worse still.

And this is just what we know so far. It could be far worse. The IRS has already showcased how incredibly complex this tax will be, [setting out approaches to the excise tax](#). Of all the taxes in the ironically named Affordable Care Act, none is more onerous, a whopping 40% on top of all other federal taxes. It is an excise tax, one of the most dreaded taxes there is. It *sounds* as if it taxes overly generous employer-provided health care plans for executives.

In reality, it seems likely to primarily hit union plans. Unions that have negotiated for generous health benefits may now wish they hadn't. Across the board, the Cadillac tax puts pressure on employers to offer less-generous health insurance plans. The 40% tax is imposed on the cost of individual health plans above \$10,200 for individuals and \$27,500 for family coverage. The tax applies at a 40% rate on every dollar above those thresholds.

A reasonable response to the Cadillac tax is likely to be cutting of health insurance. Less generous coverage will presumably be provided. In large part, the result is likely to higher costs for employees, higher deductibles, and other add-ons that will harm employees. Doesn't that go directly contrary to what proponents of the Affordable Care Act—including the President—represented? Like your plan, keep your plan?

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