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American Health Policy Institute President, Dr. Tevi D. Troy, on the ACA-Related Challenges Facing Employers in Congressional Hearing

Testimony expresses concerns about the Affordable Care Act's impact on America's workplaces and calls for repeal of the health care excise tax

Washington, D.C. – Today, Dr. Tevi D. Troy, President of the American Health Policy Institute (AHPI), testified before the Committee on Education and the Workplace at the hearing, “Five Years of Broken Promises: How the President’s Health Care Law is Affecting America’s Workplaces.”

In his testimony, Troy expressed the concerns of large U.S. employers regarding the impact of the Affordable Care Act (ACA)—specifically the impact the high-cost excise tax is having on employer-sponsored health care, the cost of the ACA to employers, and the affordability of health care to employees. These three factors combined mean that there are likely big changes ahead in employer sponsored care, which is how 169 million Americans receive health coverage.

Under the ACA, an excise tax on high-cost health plans, the so-called “Cadillac tax,” takes effect in 2018, anticipated to hit 17 percent of all American businesses, and 38 percent of large employers. From 2018 to 2024, the excise tax could cost 12.1 million employees an average of \$1,050 in higher payroll and income taxes per year, if employers increase their taxable wages as they reduce the cost of health care benefits. Alternatively, these employees could see up to a \$6,150 reduction in their health care benefits and little or no increase in their pay.

As discussed in Dr. Troy’s testimony, U.S. employers have long been committed to providing affordable and quality health care to their employees, dependents, and retirees. Last year, an Institute study looked at direct costs to companies from the ACA’s requirements, over and above projected employer health care cost trends without the ACA. The study found that over the next decade, the cost of the ACA to large U.S. employers is estimated to be \$4,800 to \$5,900 per employee. The continual increase in health care costs and added regulatory burden over the past two decades coupled with enactment of the ACA has put significant pressure on employers to not only figure out the best ways to keep abreast with the waves of change sweeping over that system, but also to search intensively for the next generation of health care delivery systems.

These cost hikes, combined with the fear of triggering the excise tax, are accelerating employer movement toward alternative models of health care delivery. Dr. Troy noted that in recent years, there has been an obvious shift to consumer-directed health plans in an attempt for companies to offset the cost increases amidst today’s political landscape and uncertainty surrounding health care.

Dr. Troy said, “The potential impact of the health care excise tax alone is already driving employers—including corporations, state government, local government, universities, labor unions, and many other health care providers—to reassess their health care plans and reconsider their future role and approach in providing health care benefits. As this policy issue will touch nearly every industry in America, this issue is one to watch.” Dr. Troy urged Congress to repeal the excise tax sooner rather than later.

Dr. Troy concluded his testimony urging policymakers to recognize that the cost of employer-provided care is increasing for a variety of reasons beyond the control of employers and employees: “The combination of a creeping excise tax and high marginal ACA costs is driving employers to look at significant changes to their health care offerings. Some employers will exit the system, but we believe that more will look to make serious changes in approach. These employer based changes will likely include more cost-sharing components as employers seek to avoid triggering the excise tax in 2018. The cost sharing then impacts the affordability of health care for employees, who will become unsatisfied with their employer sponsored care and look to Washington for answers.”

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American Health Policy Institute (AHPI) is a non-partisan 501(c)(3) think tank, established to examine the impact of health policy on large employers, and to explore and propose policies that will help bolster the ability of large employers to provide quality, affordable health care to employees and their dependents. The Affordable Care Act has catalyzed a national debate about the future of health care in the United States, and AHPI serves to provide thought leadership grounded in the practical experience of America’s largest employers. To learn more, visit americanhealthpolicy.org.