

# Press Release

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## Benefits of Tax-Preferred Status of Employer-Sponsored Health Insurance Analyzed

*AHPI explains how limiting the tax exclusion of employer-provided health coverage would hurt employees and serve as a middle class tax hike*

**Washington, D.C.** – Today, the American Health Policy Institute (AHPI) releases its paper, “Benefits of the Tax-Preferred Status of Employer-Sponsored Health Insurance,” highlighting the ways in which the tax exemption for employer sponsored care makes it possible for 177 million Americans to receive health insurance from their employer.

Modifying the tax treatment of employer-provided health benefits has long been a goal of some policymakers and health economists on both sides of the political aisle. The large dollar amount associated with the tax exclusion makes it a particularly tempting revenue target for those seeking to expand coverage to the uninsured under the Affordable Care Act (ACA), as well as for those seeking to repeal and replace the law.

This paper emphasizes the major problems that would arise for employees if a limit were imposed on the tax exclusion. A limit would serve as a middle-class tax hike, drive up health insurance costs for millions of American employees, and eliminate the strong incentives currently in place that constantly pressure large purchasers of health to demand more efficient, affordable, and effective care from the marketplace.

Employer-sponsored health care creates a number of economic advantages for employees. Mark Wilson, Chief Economist of AHPI, says, “Employer-provided health care benefits facilitate risk-pooling that reduces price fluctuations, creates certain economies of scale and administrative efficiencies, simplifies purchasing insurance for employees, and protects employees from the current uncertainties surrounding the ACA exchanges.” Most importantly, Mr. Wilson said, “the current tax treatment of health benefits provides strong incentives to employers who purchase health care for their employees to focus on the overall health of their employees and to use their purchasing power to pressure the health care market to improve the quality and cost of the health care system.”

Changes to the tax treatment of health care benefits may discourage employers from offering coverage to their employees. Should that happen, tens of millions of Americans would need to find health insurance elsewhere, increasing the financial pressure on other parts of our health care system, especially government-financed programs. With federal and state governments already facing significant fiscal pressures, diminished employer participation would significantly add to the pressures on our health care system.

“Limiting or eliminating the current tax exclusion of employer-provided health care benefits could cost our system far more than any benefits it may provide,” said Mr. Wilson. “As we have learned from experience with the ACA, encouraging people to get covered is a costly and challenging endeavor, and risk pools are difficult to maintain as well. Employers, however, are both good at getting people covered and maintaining manageable risk pools. Public policy should be aimed at encouraging these important goals.”

**To view the full study, please visit the following link:**

[www.americanhealthpolicy.org/Content/documents/resources/Benefits\\_of\\_Tax\\_Exclusion\\_ESI.pdf](http://www.americanhealthpolicy.org/Content/documents/resources/Benefits_of_Tax_Exclusion_ESI.pdf)

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**American Health Policy Institute** is a non-partisan non-profit think tank, started by the HR Policy Foundation that examines the practical implications of health policy changes through the lens of the American large employer. The Institute examines the challenges employers face in providing health care to their employees and recommends policy solutions to promote the provision of affordable, high-quality, employer-based health care. The Institute serves to provide thought leadership grounded in the practical experience of America’s largest employers. The Institute’s mission is to develop impactful strategies to ensure that those purchasing health care are able to not only bend the cost curve, but actually break it, by keeping health care cost inflation in line with general inflation. To learn more, visit [www.americanhealthpolicy.org](http://www.americanhealthpolicy.org).