

## Response to Questions on the FY 2014 Budget

**Request By:** Supervisor Herrity

**Question:** What is the estimated first full year cost of the "Cadillac Tax" based on current health care plans?

**Response:** The "Cadillac Tax" is a provision of the Affordable Care Act that is designed to discourage high-cost plans by levying a tax on "excessive" benefits for tax years beginning after December 31, 2017. Plans may be subject to the excise tax if they offer insurance benefits that exceed the thresholds of \$10,200 for individual coverage or \$27,500 for family coverage. These thresholds may be adjusted for employers with above average populations of older workers or female workers, or that employ individuals in high-risk professions. The tax amount is 40 percent of the premium amount over the threshold, and it applies to both fully insured and self-funded plans.

The first full fiscal year in which the "Cadillac Tax" will be in effect is FY 2019. However, a reliable estimate of the FY 2019 impact on the County cannot be provided at this time due to uncertainty regarding the specifics of the tax. The Internal Revenue Service has not yet issued guidance related to the tax, and therefore questions remain regarding how it will be implemented. It is also uncertain whether any or all of the County's health plans will be subject to the tax. Assuming 9 percent annual premium growth, the most expensive plan in the County's current selection of plan designs is projected to exceed the thresholds for the excise tax. However, changes in plan design, improvements in cost containment, or more favorable premium growth over the next five years could reduce or eliminate the County's exposure to the excise tax.

The Department of Human Resources will continue to study the impacts of the Affordable Care Act on the County, including the "Cadillac Tax" and other fees and taxes that the County may be subject to such as the Patient-Centered Outcomes Research Institute and the Transitional Reinsurance Program. Additional information will be provided to the Board of Supervisors as it becomes available.