

# DON'T RAIN ON THE EMPLOYER-SPONSORED COVERAGE PARADE

The government excludes employer contributions to an employee's health insurance from the employee's income for tax purposes for both parties. This "employer exclusion" encourages businesses to offer health insurance and lowers the employee's taxable income.

Some lawmakers want to repeal the employer tax exclusion. That could harm millions of workers and their families by significantly increasing their taxable income.



## WIDESPREAD COVERAGE

175 million Americans get health insurance through their employers.<sup>1</sup> People with employer-sponsored plans are more likely to maintain health coverage year after year.<sup>2</sup>

## HELPS MOST WORKERS

82 percent of workers are satisfied with their employer-sponsored health insurance.<sup>3</sup> Nearly half say they'd quit if their employer stopped offering benefits.<sup>4</sup>

## SHARED RISK, STABLE PREMIUMS

It's easy for employees and their families to sign up for coverage through work. So an employer's insurance pool contains people of all ages and health backgrounds. That spreads risk – and leads to lower, more stable premiums.

## LESS COVERAGE, LOWER PAY

Businesses would pay nearly \$1,000 in new taxes on the average contribution they currently make toward a family health plan.<sup>5</sup> To avoid this burden, they'll reduce benefits – or stop offering insurance altogether.

And there's no guarantee that employers will increase salaries to replace lost benefits.

## HARMS MANY WORKERS

Individuals lack employers' buying power, so they won't be able to purchase the level of benefits they used to have for the same price.

Some in Congress have proposed new tax deductions to help people pay for insurance. But 45 percent of households have already maxed out their deductions. A new one won't help them.<sup>6</sup>

## ADVERSE SELECTION, PREMIUMS

Some healthy workers will decline to buy insurance because it's too expensive. Those who purchase plans despite the higher price tag will likely be older and sicker.

Insurers will have to pay more to care for this population. To cover their costs, they'll raise premiums further. Gradually, insurance will become unaffordable for just about everyone.

<sup>1</sup><https://www.census.gov/content/dam/Census/library/publications/2015/demo/p60-253.pdf> table 1

<sup>2</sup><http://newsmanager.commpartners.com/nahuw/issues/2016-04-15/index.html>

<sup>3</sup><https://www.accenture.com/us-en/insight-employer-beware-workers-demand-health-coverage>

<sup>4</sup>[https://www.accenture.com/\\_acnmedia/Accenture/Conversion-Assets/DocCom/Documents/Global/PDF/Dualpub\\_18/Accenture-Chart-Employer-Beware-Impact.pdf#zoom=50](https://www.accenture.com/_acnmedia/Accenture/Conversion-Assets/DocCom/Documents/Global/PDF/Dualpub_18/Accenture-Chart-Employer-Beware-Impact.pdf#zoom=50)

<sup>5</sup><http://kff.org/report-section/ehbs-2015-summary-of-findings/>

<sup>6</sup><http://www.marketwatch.com/story/45-of-americans-pay-no-federal-income-tax-2016-02-24>