

Coalition Slams GOP Proposal To Cap ESI Tax Exclusion
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The Republican Study Committee proposes to overhaul the current private health care system by capping the tax exclusion for health benefits that is currently available for employer-based plans and extending the same level of credits to all Americans regardless of where they buy their coverage, but a stakeholder coalition that aims to protect employer sponsored insurance tells Inside Health Policy the idea is unlikely to gain traction among candidates.

Employer and worker expenditures on health care premiums are currently tax free, which is one of the country's largest tax expenditures, costing about \$299 billion in 2022. Lawmakers and experts from both parties, and the Congressional Budget Office, have argued that the exclusion incentivizes higher spending and should be reformed, but have consistently run into resistance from stakeholders ready to defend ESI coverage from any changes.

During the debate over the ACA, the resistance to ending or limiting the exclusion resulted in Democrats creating a 40% tax on high-cost insurance to glean needed revenue. The so-called "Cadillac tax" -- initially set to go into effect in 2018 -- was never implemented, and in 2019 then President Donald Trump signed bipartisan legislation repealing the provision.

In its agenda released Wednesday (March 20), RSC argues the tax exclusion not only promotes job lock and lower wages but drives hyperinflation and contributes to skyrocketing Medicaid and Medicare prices.

"Though one method of reform would be to repeal the exclusion entirely and use the increased revenues to reduce tax rates across the board, this would cause immediate upheaval to the health insurance system that the exclusion has distorted for almost 80 years," the RSC says.

Republicans instead propose a budget-neutral reform that would cap the exclusion for workers and employers and extend the same level of tax credits to all Americans, regardless of where they purchase coverage.

"This would equalize the tax treatment of all health insurance products and allow the organic development of efficient health insurance products without forcing a change to the existing health insurance," the RSC says.

The Alliance to Fight for Health Care, which was initially formed to oppose the Cadillac tax, blasted the RSC proposal. "Polling data conducted by Public Opinion Strategies shows nearly 90% of voters do not want Congress to tax their health coverage," the group says in a statement.

"It is deeply concerning that the RSC has proposed to tax the health care of working Americans to fund other spending priorities. An analysis of a previously failed tax credit proposal that is based on commercial salary and benefits data shows that eliminating the exclusion would create a 90% tax increase for low-income working Americans. We doubt many Republicans running for Congress will want to pursue this recommendation," the Alliance adds. -- Amy Lotven (alotven@iwpnews.com)