Health Care

March 2017

Produced by the SHRM Government Affairs Department

Background: An affordable, innovative and efficient health care system is essential to ensuring a productive and competitive U.S. workforce, as well as a better quality of life for all Americans. As the providers of health care coverage to more than 177 million Americans and their families, employer-sponsored plans are the bedrock of the U.S. health care system. More than 16 times the number of individuals who get their coverage through the Affordable Care Act’s (ACA’s) federal or state exchanges get coverage through an employer. The ACA, enacted in 2010, brought about major reforms in health care coverage in the United States, affecting both insured and self-insured employer-sponsored health care plans.

Issue: Although the ACA has expanded access to health insurance for an estimated 20 million Americans and the U.S. uninsured health rate is at a historic low of 8.6 percent, increasing health care costs continue to place a growing burden on employers, individuals and the economy. Moreover, employers are continuing to experience increased costs, expanded regulatory requirements and reduced flexibility in managing their employer-sponsored plans as a result of the ACA.

To comply with the ACA, some employers have opted to eliminate health care coverage for part-time employees, while others have re-structured their staffing models to reduce mandated employee coverage requirements. In addition, ACA reporting requirements have proved complicated and have added to the costs of employer-sponsored coverage. As a result of the rising costs, the impending implementation of the excise tax (sometimes referred to as the “Cadillac tax”) and the complexity of the ACA, many organizations are reducing health care benefits, shifting more costs to employees or turning to other health care design strategies, such as health savings accounts or private exchanges.

Given these challenges, President Donald Trump and lawmakers will pursue regulatory and legislative efforts to modify, repeal and replace the ACA. These reform efforts, however, could inadvertently impact employer-sponsored health coverage, resulting in raising taxes on employers or employees or in increasing the cost of health care for employees and their families. Employees could also be negatively impacted by higher co-pays and deductibles, which could lead some to decline employer-provided health care.

Outlook: Targeted efforts to repeal and replace the ACA and to address health care affordability, coverage and quality of care are priorities for the Trump administration and the 115th Congress. Proposals of relevance to the HR profession include the preservation of employer-sponsored wellness programs and changes to ease the compliance reporting requirements for employers offering health insurance coverage to their employees. In addition, the ACA’s 40 percent excise tax on high-value plans will receive considerable attention. Congressional action on the excise tax could result in further delay, modification or replacement of the tax. SHRM-supported bipartisan, bicameral legislative proposals H.R. 173/S.58, the Middle Class Health Benefits Tax Repeal Act, would repeal the tax. Furthermore, due to the preferential tax treatment of employment-based health care coverage, the tax treatment of employer-sponsored health care benefits could come under scrutiny as lawmakers consider tax reform to generate
revenue to pay for future health care initiatives. As such, proposals to cap the excludability of employer-sponsored health coverage from taxation are likely to receive consideration.

**SHRM Position:** SHRM supports reforms that lower health care costs and improve access to high-quality and affordable coverage. The Society believes that congressional reforms should strengthen and improve the employer-based health care system. Health care reform proposals should ensure that tax policy contributes to lower costs and greater access, preserve the federal Employee Retirement Income Security Act (ERISA) law that allows for common benefit plans across state lines, encourage increased use of prevention and wellness programs, improve quality and transparency, and streamline medical liability laws to reduce health care costs.

**Talking Points:**

- As Congress works toward health care reform, SHRM urges lawmakers to protect and strengthen the employer-based health care system.

- SHRM urges Congress to avoid any changes to the tax treatment of employer-sponsored health coverage that would result in raising taxes on employers or employees or that would increase the cost of health care for employees and their families.

- SHRM has long advocated for full repeal of the ACA’s 40 percent excise (sometimes referred to as the “Cadillac tax”) on employer-sponsored health benefits. The excise tax will undermine the innovative employer-sponsored health care coverage that over 177 million Americans rely on. With regard to benefit design, organizations should not be forced to choose between a tax and their employees’ health care coverage.

- SHRM supports bipartisan, bicameral legislation to repeal the excise tax and urges lawmakers to co-sponsor H.R. 173/S. 58.

- SHRM continues to advocate for public-policy solutions that lower costs, strengthen the employer-based system, improve quality of care and offer access to affordable coverage to all Americans.

- SHRM supports the provisions in the ACA that improve wellness programs and quality of care. Wellness programs are a critical component of employers’ overall benefit offerings and health care strategy to promote healthy lifestyles for employees and reduce health care costs.

- **TELL YOUR STORY:** In your meetings with policymakers, describe your employees’ participation in employer-sponsored health plans. How will a change in the tax treatment of employer-sponsored benefits impact your benefit offerings in the future? In addition, does your organization anticipate that its health plan will be subject to the excise tax in 2020? Has your organization changed its benefit offerings to avoid the tax? How have your employees responded to these changes?