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THE EXCISE TAX ON HIGH-COST HEALTH PLANS: UNFAIR TO WOMEN
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The National Education Association and its 3.2 million members have worked hard to win comprehensive health care reform for all. Despite our strong support for health care reform, we have deep concerns about the proposed excise tax on high-cost health plans, including that it will disproportionately hurt women. Holding middle class women hostage to a taxable threshold when their premium costs are driven in part by the fact that they are women is profoundly unfair. It also means that when health care benefits are cut in response to the excise tax, women will be particularly hurt by any increases in cost-sharing and decreases in coverage.

The Excise Tax on High-Cost Health Benefits

Starting in the year 2013, the Senate health reform bill would impose a 40 percent excise tax on the value of an employee's health insurance benefits if that value exceeded a certain dollar threshold. Currently, the thresholds are set at \$8,500 for single coverage and \$23,000 for family coverage, but those levels would be for the year 2013, when the tax kicked in. The excise tax would be payable by the entity administering the plan; employees would not be taxed directly. The benefits that would count toward the threshold include medical, dental, and vision premiums, contributions to/reimbursements from a health care Flexible Spending Account (FSA) and employer contributions to a Health Savings Account (HSA).

The thresholds would increase every year at the rate of inflation plus 1 percentage point, even though health care premium costs increase much faster than that. For retirees and people in high-risk occupations, the threshold for single coverage would be \$1,350 higher and the threshold for family coverage would be \$3,000 higher. A short-term increase in thresholds would also be in place for the 17 highest-cost states, but the increases would be phased out by 2016. Whether or not an employee paid all or some of the premium is irrelevant to the way the tax would be calculated and collected.

A recent report by the Joint Economic Committee—a joint Senate-House of Representatives committee that studies issues related to the U.S. economy—clearly makes the point about women's health care costs: "Women are more vulnerable to high health care costs than men. Several factors explain why. First, women's health needs differ from men's, so women are obliged to interact more regularly with the health care system – regardless of whether they have adequate insurance coverage or not. Women's reproductive health concerns, including pregnancy and childbirth, contraception, and the consequences of sexually-transmitted diseases, require more contact with medical providers. Women are more likely than men to have one or more chronic diseases, including diabetes, asthma, and hypertension, all of which require ongoing coordinated care."¹

Consistent with the Joint Economic Committee's analysis, benefits consulting firm Watson Wyatt recently released a report showing exactly how much more it costs to insure women than men. Based on a claims database of over 5 million people with coverage from large employers, Watson Wyatt looked at five-year age groupings for employees between the ages of 20 and 64, determining that in every age group, women cost more to insure. In fact, in the 25-29 and 30-34 age groupings, women were more than twice as costly as men to insure.²

The National Education Association's members are more than 70 percent women. Health plans for NEA members, therefore, are much more likely to cost more.

Despite clear evidence that plan costs can be driven in part by a predominance of women in the plan, the excise tax fails to take into consideration factors, like the gender of plan participants, that lead to higher premiums. Other factors that are ignored are the size of the plan, the age of plan participants, and the quality of health care services that are available. After a three-year transition period, variations in the cost of underlying health care services are also ignored as a factor that leads to different premium costs.

True health reform should not penalize those whose expenses are higher due to the fact that they were born women. Health reform must move the nation forward in its quest for equality, not condemn women to sex discrimination in health insurance premiums.

¹Joint Economic Committee, "Comprehensive Health Care Reform: An Essential Prescription for Women," October 8, 2009, p. 4.

² Roland McDevitt, "The Problem with Taxing Cadillac Health Plans," December 9, 2009, 4.