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Tax on 'Cadillac' Plans Draws Flak

By JANET ADAMY and GREG HITT

Labor unions and some Democrats are pushing to scale back a proposal in the latest version of Senate health-overhaul legislation that would tax generous insurance plans.

A sweeping proposal to fix the health system, unveiled this week by Finance Committee Chairman Max Baucus (D., Mont.), would impose a 35% tax on high-dollar health plans offered by insurers. The tax on insurers is the biggest revenue generator for a plan that is expected to cost about \$774 billion over 10 years.

The new tax is intended to target "Cadillac" plans offered to wealthy individuals. It would fall on plans valued at \$8,000 or more for individuals, and at \$21,000 or more for families. Unions say that would hit the plans of many of their members, who tend to have generous benefits. And while the tax is aimed at insurers, which oppose the levy, some large insurers have already said they plan to pass the cost on to consumers.

"We don't have Cadillac salaries," said Robert Corner, a 63-year-old who works for Nebraska's department of roads in Lincoln and earns just over \$50,000 a year. His parent union, the American Federation of State, County and Municipal Employees, estimates that its average family health plan in Nebraska will be worth \$31,000 in 2013, the year the new tax thresholds would take effect. "It's really going to impact the middle class," Mr. Corner said.

Labor unions on Friday pressed lawmakers to submit amendments to Sen. Baucus's proposal that would peel back the tax. Teamsters Union President James P. Hoffa said he was pushing several Democratic senators to scrap the health-insurance fee and turn to a tax on wealthy individuals to help fund the health overhaul. "It's just a left-handed way to have taxes on health-care benefits," Mr. Hoffa said.

A Senate Finance aide said the tax would only affect 8% of Americans to start. But more could get hit over time. That's because the threshold for the tax is tied to the Consumer Price Index, not the rate of health-care inflation. If health-care costs rise faster than overall inflation, as has happened in recent years, more plans would be subject to the tax.

Proponents of the tax say it will discourage wasteful health spending. But health-benefits experts say that targeting expensive plans won't necessarily hit ones that are lavish. Small businesses are more likely to have higher-cost insurance, because they can't spread the risk among as many workers. Their prices go up when they have a worker with a catastrophic illness or a higher number of older people.

"There may be unintended consequences of taxing high-cost plans," said Beth Umland, director of research for health and benefits at consulting firm Mercer. "They are not necessarily high-cost because they are generous." Mercer found that 14% of employers offer a plan worth at least \$8,000 for individuals or \$21,000 for families as their primary health-

insurance plan.

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