

A Perspective On National Healthcare Reform



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Current Medical Benefits

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**New Jersey
Education Association**

Collectively Bargained

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- **Part of overall compensation**
- **Negotiated with employer for over 40 years**
- **Substituted for wage increases and contract language enhancements**

Where do the employers purchase benefits?

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- **50% of school districts in New Jersey purchase from a state pooling program**
- **50% of school districts in New Jersey purchase from private insurance companies**

Who has the benefits?

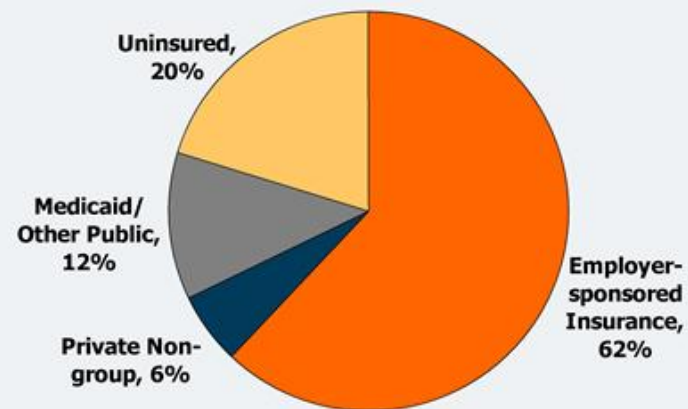
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- **Vast majority of members have health insurance**
- **Cognizant that some Americans have little or no health insurance**

Health Insurance Non-Medicare Adults

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Health Insurance Coverage of Nonelderly Adults, 2008



184.1 Million Nonelderly Adults

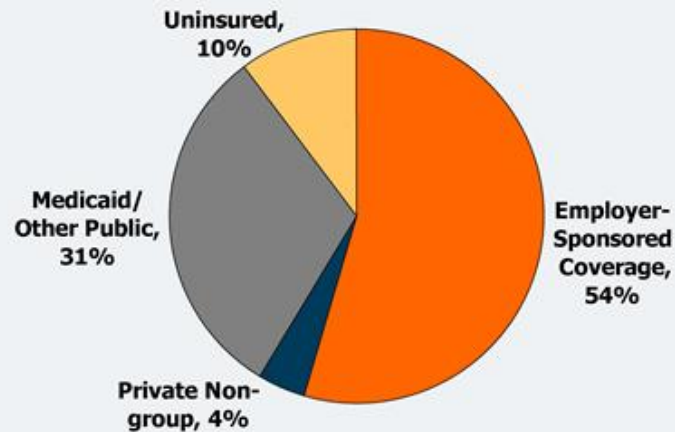
NOTES: Adults includes all individuals aged 19 to 64.

SOURCE: Kaiser Commission on Medicaid and the Uninsured/Urban Institute analysis of 2009 ASEC Supplement to the CPS.

Health Insurance Children

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Health Insurance Coverage of Children, 2008



78.7 Million Children

NOTES: Data may not total 100% due to rounding. Children includes all individuals under age 19.
SOURCE: Kaiser Commission on Medicaid and the Uninsured/Urban Institute analysis of 2009 ASEC Supplement to the CPS.

Future Medical Benefits

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Four Criteria For Any National Health Care Reform

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- **Benefits should continue to be collectively bargained**
 - **Affordable, quality health insurance**
 - **Maintain the tax exclusion of health benefits**
 - **No excise tax**

Benefits Should Continue To Be Collectively Bargained

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- **Maintain employer-based health benefit plans**
- **Maintain the ability for workers and employers to determine the appropriate level of health care benefits through collective bargaining**

Affordable, Quality Health Insurance

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- **Health Insurance Exchange (HIE)**
- **Public Health Insurance Plan Option**

Continue Tax Exclusion on Health Benefits

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- **Guarantee that the tax exclusion of employer sponsored health benefits continues and is not limited or capped in any way**

What is the Senate excise tax?

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- **ESTABLISH THRESHOLDS**

- \$8,500 for single coverage in 2013 (base threshold)
- \$23,000 for family coverage in 2013 (base threshold)
- Index thresholds to CPI-U + 1 percentage point

- **APPLY A TAX OF 40 PERCENT TO EVERYTHING OVER THE THRESHOLD**

- “Everything” includes
 - Premiums for medical, Rx, dental, and vision coverage
 - Contributions to health care flexible spending accounts (FSAs)
 - Employer contributions to health savings accounts (HSAs)
 - Other medical benefits

What is the Senate excise tax?

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- **Exceptions**

- In high-cost states, thresholds increased
 - 20 percent in 2013
 - 10 percent in 2014
 - 5 percent in 2015
 - Back to regular threshold in 2016
- For retirees, thresholds increased
 - By \$3,000 for family coverage
 - By \$1,350 for single coverage
- For workers in high-risk occupations, thresholds increased same as for retirees
- **Tax payable by insurance company, administrator, or employer (whoever administers the plan)**

Excise Tax Will Ultimately Lower Benefits

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- **Every person in America deserves quality, affordable health insurance; it's not a race to the bottom**



2010 Cost Of Medical Benefits In The State Insurance Pool

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| 2010 Family Cost | |
|-------------------------|----------------|
| Medical | \$13,799 |
| Prescription | \$3901 |
| Dental | \$1,438 |
| Vision * | \$250 |
| FSA* | \$250 |
| Total | \$19638 |
| *not part of state pool | |

2013 Cost Of Medical Benefits In The State Insurance Pool

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| Estimated 2013 Family Cost | |
|-----------------------------------|-----------------|
| Medical | \$18,216 |
| Prescription | \$4,983 |
| Dental | \$1,571 |
| Vision | \$273 |
| FSA | \$273 |
| Total | \$25,316 |

Increase in medical and Rx - average of 11 years (1999-2010)

Increase in dental, vision and FSA – 3%

2013 Excise Tax In The State Insurance Pool

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| Estimated 2013 Excise Tax | |
|----------------------------------|------------------|
| Benefit | \$25,316 |
| Threshold | \$27,600 |
| Taxable amount | \$0 |
| Excise Tax | times 40% |
| Total tax payable | \$0 |
| Total employees -1,000 | \$0 |

Threshold increased by 20% for high cost state

2014 Excise Tax In The State Insurance Pool

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| Estimated 2014 Excise Tax | |
|----------------------------------|------------------|
| Benefit | \$27,571 |
| Threshold | \$25,300 |
| Taxable amount | \$2,271 |
| Excise Tax | times 40% |
| Total tax payable | \$908 |
| Total employees -1,000 | \$908,000 |

Increase in medical and Rx - average of 11 years (1999-2010) Increase in dental, vision and FSA – 3%
Increase in threshold – 10%

2015 Excise Tax In The State Insurance Pool

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| Estimated 2015 Excise Tax | |
|----------------------------------|--------------------|
| Benefit | \$30,035 |
| Threshold | \$24,875 |
| Taxable amount | \$5,160 |
| Excise Tax | times 40% |
| Total tax payable | \$2,064 |
| Total employees -1,000 | \$2,064,000 |

Increase in medical and Rx -average of 11 years (1999-2010) of state pool Increase in dental, vision and FSA – 3%
Increase in threshold – 3% and 10%

2016 Excise Tax In The State Insurance Pool

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| Estimated 2016 Excise Tax | |
|----------------------------------|--------------------|
| Benefit | \$32,727 |
| Threshold | \$25,133 |
| Taxable amount | \$7,594 |
| Excise Tax | times 40% |
| Total tax payable | \$3,038 |
| Total employees -1,000 | \$3,038,000 |

Increase in medical and Rx -average of 11 years (1999-2010) Increase in dental, vision and FSA – 3%
Increase in threshold – 3%, 3% and 3%

2013 - 2022 Excise Tax Impact

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