Public Reaction to Changing the Tax Treatment of Employment-Based Health Benefits

WASHINGTON—The recent deal in Washington to raise the debt ceiling and reduce the deficit did not include any changes to the preferential tax treatment of employment-based health benefits, but it does open the door to further cuts.

Capping and eliminating the preferential tax treatment of employment-based health benefits as it applies to workers has been proposed in the past and was recently proposed by President Obama’s bipartisan National Commission on Fiscal Responsibility and Reform and The Heritage Foundation. The tax preference associated with employment-based health coverage is the largest tax expenditure in the U.S. budget, accounting for $1.1 trillion in foregone tax revenue during 2012–2016. Changing the tax preference may therefore be one option that the super-committee considers.

According to the 2011 Health Confidence Survey, recently released by the Employee Benefit Research Institute (EBRI) and Mathew Greenwald & Associates, if the tax law was changed such that the value of employment-based health coverage was taxed, some individuals would change how they get covered while others would drop coverage:

- 29 percent would continue their current coverage.
- 33 percent would switch to less costly employment-based plan.
- 26 percent would shop for insurance directly from an insurer.
- 8 percent would drop health insurance altogether.

The 2011HCS is the 14th annual wave of this survey to assess the American public’s attitudes regarding the U.S. health care system. It was conducted by the nonpartisan Employee Benefit Research Institute (EBRI) and Mathew Greenwald & Associates, Inc., a Washington, D.C.-based market research firm. The full report is published in the September EBRI Notes, online at www.ebri.org.

Fast Facts from EBRI is issued by the nonpartisan Employee Benefit Research Institute to highlight benefits information that may be of current interest. Established in 1978, EBRI is an independent nonprofit organization committed exclusively to data dissemination, policy research, and education on economic security and employee benefits. EBRI does not take policy positions and does not lobby.