

## Why New Taxes on Health Insurance Plans Mean Higher Prices for Families and Employers

One of the goals of health care reform is to make coverage more affordable, but the proposed annual \$6.7 billion health insurance premium tax will have the opposite effect by increasing costs for families and employers across the country. The new health insurance premium tax will:

- **Increase premiums for families and small businesses:** CBO has stated that new taxes on health plans will result in “higher premiums for private coverage.” These taxes would increase costs for families and employers at a time when they are already struggling with rising health care costs.
- **Cause immediate disruption for policyholders:** While broader reforms will not begin until 2014, the new health insurance premium tax would go into effect in 2010 – after contracts have been negotiated and after individuals have enrolled in their plan for next year. Imposing new taxes next year that cannot be supported by current premium levels will cause significant disruption and higher costs for policyholders, and could impede the ability of health plans to meet promised benefits.
- **Create an unsustainable burden on health plans:** Health plans will be required to pay a \$6.7 billion tax beginning next year for the next 10 years, in addition to ‘stabilization’ fees of \$25 billion in 2013, 2014, and 2015. According to Fortune magazine’s analysis of the companies listed under ‘Insurance and Managed Care’, earnings in 2008 totaled \$8.61 billion with a profit margin of 2.2% -- ranking the industry 35<sup>th</sup> on the Fortune list.

The new tax is non-deductible and is layered on top of existing state and federal taxes paid by health insurance plans, including: premium taxes, assessments to support high risk pools, state and federal income taxes, employment taxes, sales and use taxes, and property taxes.

- **Put benefits at risk for families and employers:** The new health insurance premium tax is assessed based on market share and is not tax deductible. As shown in [this chart](#), the new tax will disproportionately impact health plans with the lowest net income, and for some health plans, could result in an effective tax rate of *more than* 100 percent. This would put at risk the reserves health plans are required by law to keep on hand to pay out benefits for families and businesses.