

American Federation of Labor and Congress of Industrial Organizations



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January 15, 2010

MEMORANDUM

TO: Members of the AFL-CIO Executive Council

FROM: President Richard L. Trumka 

RE: Agreement on Health Insurance Excise Tax

Attached, please find a fact sheet on the agreement worked out between labor and the White House on the health care premium excise tax.

As you know, the AFL-CIO and our affiliates put the issue of the unfair excise tax at the center of the health care debate and forced both the White House and Congressional leaders to make major changes to the original proposal. Though we were unable to completely eliminate the tax from the bill, the changes that have been agreed to will substantially limit its impact on most middle class families, including our members. Under the agreement negotiated with the White House, union plans will not be subject to the tax until 2018 at the earliest.

The bill will not be perfect and we will not get everything we want, but we are very encouraged by the progress that has been made on health care reform in the last few days. We are deeply proud of the constructive role labor has played in advancing health care reform.

Over the next couple of weeks, we will continue to work diligently to improve the bill to make it fairer for working people by strengthening requirements for employers, including small construction employers, establishing a strong national insurance exchange, fully-funding the reinsurance program for early retirees, and preserving the Medicare Part D subsidy for work based drug plans. And, of course, we will be gearing up a massive grass roots mobilization for final passage of the bill.

Thank you for your tremendous effort in helping to get us nearer to our goal.

Attachment
RLT/db

Key Points on Benefits Tax Improvements

- Raising the threshold at which family plans are taxed from \$23,000 to \$24,000 in 2013 for all working families, with annual increases of Consumer Price Index plus one. The threshold for single plans will be \$8,900. (Taft Hartley plans will be considered at the family rate.)
- Raising the threshold on plans further if health care costs grow faster than expected from 2010-2013
- Exempting dental and vision costs beginning in 2015 (which could raise the threshold as much as \$2000)
- Raising the threshold for plans that have significant numbers of women and/or older workers.
- Preserving the original Senate proposal to raise the threshold for plans with workers in high-risk professions, affecting more than 9 million workers.
- Preserving the original Senate proposal that would raise the threshold for plans with retirees age 55 and up.
- Providing transitional relief for employers and workers to adjust to tax:
 - Temporarily raising the threshold for high cost states, affecting more than 38 million workers.
 - Providing a five-year transition window before the tax would apply to plans for state and local employees or to union workers' plans, which would allow plans time to adjust.
- Giving bargaining plans the ability to go into the exchange beginning in 2017.