

For Immediate Release
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In case you missed it!

STAT News First Opinion: Keep ESI Tax-Free

“Burdening hardworking Americans with new taxes on something as fundamental as health care coverage is not the solution voters are looking for,” D. Taylor, current chair of Unite Here Health, and Katy Johnson, president of the American Benefits Council, write in a recent *STAT News* op-ed on policies Congress may consider as part of its effort to extend expiring provisions of the 2017 *Tax Cuts & Jobs Act* (TCJA).

They write, **“Employer-provided health care coverage is a cornerstone of American employment,”** serving more than 178 million Americans. “Since their inception, these benefits have been ‘excluded’ from income, meaning employees are not taxed on the cost employers pay for their health care coverage,” they add. While some organizations have put forth policy proposals to tax these benefits, Mr. Taylor and Ms. Johnson write that the tax exclusion provides economic value; “each dollar of federal expenditure yielded approximately \$6.02 in benefits for covered employees and their families — **a more than 6-to-1 return on the government’s investment.**”

They urge members of Congress, as they consider ways to pay for the TCJA extensions, **to “wholeheartedly reject” any proposal to tax health care coverage** as it would increase costs for working families and “undermine” the employer-provided health insurance system on which the majority of Americans and their families rely.

The **Alliance to Fight for Health Care strongly opposes any proposals to reduce or eliminate the tax-exclusion for employer-sponsored insurance.** Any policy changes related to health care should prioritize maintaining and strengthening the integrity of the employer-sponsored system, which covers nearly 180 million Americans, and enhancing its effectiveness. Instead of imposing new taxes, **we urge Congress to explore solutions that build on the employer-sponsored system to lower costs, promote affordability, improve access to quality care, and empower employers to continue providing comprehensive vital health benefits to their employees.**

The **Alliance to Fight for Health Care** is a broad-based coalition comprised of businesses, patient advocates, employer organizations, unions, health care companies, consumer groups and other stakeholders that support employer-provided health coverage. Together, we are working to ensure that employer-provided coverage remains an available and affordable option for working Americans and their families.

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Opinion [First Opinion](#)

Congress must reject taxing employer-provided health care coverage

This is not the way to pay for tax cuts

By D. Taylor and Katy Johnson

March 18, 2025

Taylor is the current chair of Unite Here Health. Johnson is president of the American Benefits Council.

As the new Congress and administration are settling in, all eyes in Washington are focused on the trillion-dollar question: whether and how to pay for the expiring provisions of the 2017 Tax Cuts & Jobs Act (TCJA), signed into law in President Trump's first term.

Among the various revenue-generating proposals emerging from GOP circles — including some of the president's most trusted [advisers](#) — is one that would increase taxes on American workers with employer-provided health care coverage. How to pay for the forthcoming tax bill is a valid debate, but one thing is certain: Burdening hardworking Americans with new taxes on something as fundamental as health care coverage is not the solution voters are looking for.

We have seen proposals and recommendations from the [Paragon Health Institute](#), [Heritage Foundation](#), [Republican Study Committee](#), and the [Cato Institute](#) — all of which boast close ties to President Trump — to tax employer-provided health care coverage. [The Bipartisan Policy Center](#) also specifically highlighted a tax on employer-provided health care as an option to pay for extending the TCJA. Given how many identical proposals have surfaced from these conservative and bipartisan thought leaders, coupled with a need for federal revenue, employers and unions alike are understandably concerned workers' benefits could be taxed.

Employer-provided health care coverage is a cornerstone of American employment. More than [178](#) million Americans have employer-provided health care coverage. That's more people than Medicare, Medicaid, the Affordable Care Act's (ACA) exchange marketplaces, TRICARE, and Veterans Affairs health care benefits *combined*.

Since their inception, these benefits have been “excluded” from income, meaning employees are not taxed on the cost employers pay for their health care coverage. Any proposal to add new taxes to workers' health coverage would undermine this system upon which the majority of Americans and their families rely.

Many American families are struggling to keep pace with the rising cost of food, housing, and other essential needs. Health care is no exception. According to [the Centers for Medicare & Medicaid Services](#), annual per-capita health expenditures are expected to exceed \$15,700 in 2025 — a 59% increase since 2015 — and rise to nearly \$22,000 by 2032.

The soaring cost of health care is one of the fundamental economic challenges of our age. It is a crisis born of multiple problems: inflation, market consolidation, and a lack of price transparency, among many others. It would add insult to injury (and illness) if workers who are at their most vulnerable are forced to pay taxes on the insurance that makes it possible to afford the ever-increasing cost of health care. As demonstrated in 2024 Election Night [polling](#), 93% of voters want employer-provided health care coverage to remain tax-free because it encourages employers to provide high-quality, affordable health care coverage.

Policy proposals to tax health care coverage can vary by design, but one [option](#) examined by the Congressional Budget Office could leave a working family making \$35,000 paying an additional \$1,100 in taxes in 2025 and by 2030, inflation would increase it to an additional \$2,325 in taxes, resulting in a 62% higher tax burden.

Some [proponents](#) of taxing health coverage assert that they would only impose a tax on those with higher incomes or “Cadillac” plans. But once the concept is enshrined in law, every time Congress needs billions of dollars — perhaps to pay for some initiative completely unrelated to health care — it could turn the dial lower (or let inflation do it for them), subjecting many more people to the tax.

To what end? Perhaps the true goal is to push employers out of their role as sponsors of health care coverage. This would be deeply counterproductive. Not only do employers add value and innovation to the design and operation of health care coverage, but the government's own data shows that employer coverage is a tremendous bargain for the American taxpayer.

According to [the White House Office of Management and Budget](#), \$216 billion in forgone taxes on workers and families was attributable to the income tax exclusion for employer-provided health coverage in 2023. Meanwhile, [the Bureau of Economic Analysis](#) reported that employer group health insurance funds paid out \$1.3 trillion that same year. A back-of-the-envelope calculation of \$1.3 trillion divided by \$216 billion reveals that each dollar of federal expenditure yielded approximately \$6.02 in benefits for covered employees and their families — a more than 6-to-1 return on the government’s investment.

Employer-provided health insurance not only brings [value to the economy](#), but of all the health coverage options in the United States it also yields [the best bang for the taxpayer’s buck](#). On a per-patient annual basis, the government (and taxpayers) pay the most for Medicare at nearly \$18,000 per enrollee, then the Affordable Care Act’s exchange marketplaces at nearly \$6,000 per enrollee, then Medicaid at more than \$5,500 per enrollee, and lastly employer plans at \$2,000 per enrollee. While some of this delta reflects health status and demographic differences, it’s safe to say employer plans are still a bargain to taxpayers in comparison. Recent Congressional Budget Office [data](#) also [indicates](#) that with the ACA’s enhanced subsidies, the cost to the federal government of exchange marketplace plans will actually be higher than \$6,000 this year and topping \$7,000 in 2027. If Congress makes the wrong choice and eliminates the health care tax exclusion, people who leave employer coverage will likely be forced into the more costly markets in our health care system.

Furthermore, if the [policy](#) is designed to target the employers, they might cut benefits or drop coverage altogether, potentially increasing the number of uninsured Americans.

[According to the Centers for Disease Control and Prevention](#), the most common reason adults between the ages of 18 and 64 choose to remain uninsured is because coverage is unaffordable. This means more healthy adults are likely to go without coverage than absorb a significant increase to their health care costs. When healthy adults leave the risk pools of large group plans, premiums rise even further for those who remain insured.

In 2019, President Trump signed into law a bipartisan bill to repeal the Affordable Care Act’s 40% tax on employer-provided health care coverage — then known as the “Cadillac Tax.” This tax operated like a cap on the exclusion but was designed with a different policy mechanism. The biggest question now is, will President Trump double down on his support for millions of American workers and their families by rejecting proposals to tax health benefits for the first time.

There is broad bipartisan support for protecting workers’ health care coverage and opposing short-sighted and misguided proposals to tax health benefits. As the current chair of UNITE HERE HEALTH and the president of the American Benefits Council, we recently joined a broad stakeholder group of 70 employer groups, unions, patient groups, and other health care stakeholders who [urged Congress](#) not to disrupt the vital employer-provided health coverage that the majority of Americans rely upon for lifesaving care every day.

Congress must wholeheartedly reject any proposal that seeks to undermine the health and financial security of American workers.

D. Taylor is the current chair of Unite Here Health. Katy Johnson is president of the American Benefits Council.