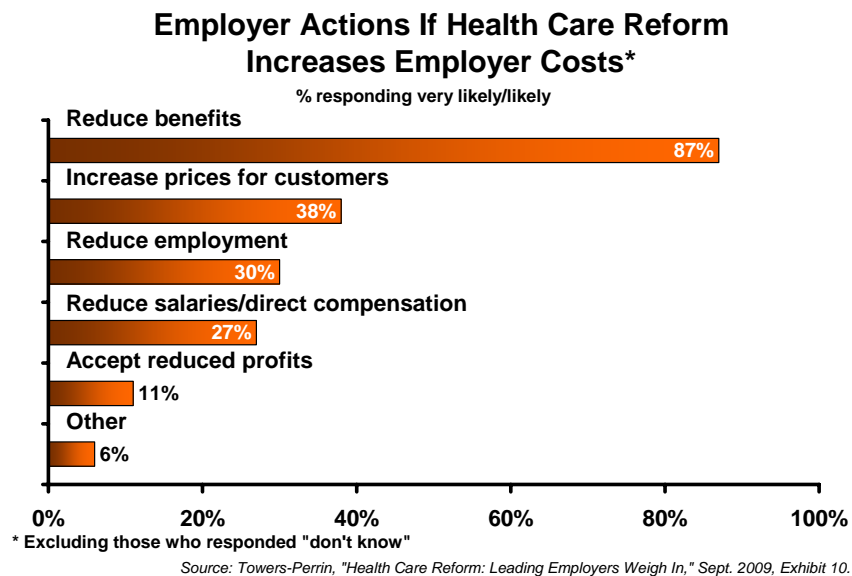


Employers Will Respond to an Excise Tax on Health Plans by Cutting Benefits, Not Increasing Wages

Proponents of the excise tax on higher-cost health plans fail to note that the excise tax will result in a significant reduction in existing health benefits. They also make a misleading claim that workers will not lose under the excise tax because they assume that employers will offset any health benefits cuts with an increase in worker's wages.

The experience of unions that negotiate with employers and two recent surveys of employers by Mercer and Towers-Perrin (465 employer health plan sponsors and 433 human resource executives, respectively) illustrate how the excise tax will hurt middle class families.

- 87% of employers say they will reduce benefits if health care reform increases their costs (Towers-Perrin)
- 63% of employers will reduce health benefits (Mercer)
- 75% of employers that said they will cut benefits to avoid the excise tax will increase deductibles and co-pays (Mercer)
- 9% of employers said they will increase salaries if health care reform reduces their benefit costs (Towers-Perrin)



Towers-Perrin report:

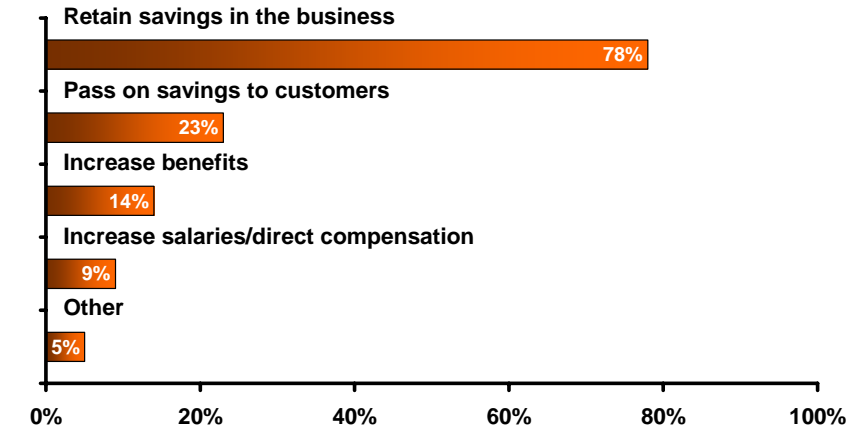
http://www.towersperrin.com/tp/getwebcachedoc?webc=USA/2009/200909/HCR_Pulse-Survey_Sept-09_Final.pdf

Mercer report:

http://www.kaiserhealthnews.org/Stories/2009/December/02/~/_media/D8E9E662C4B64AB9B1C8E64984EF49B0.ashx

Employer Actions If Health Care Reform Reduces Benefit Costs to the Organization*

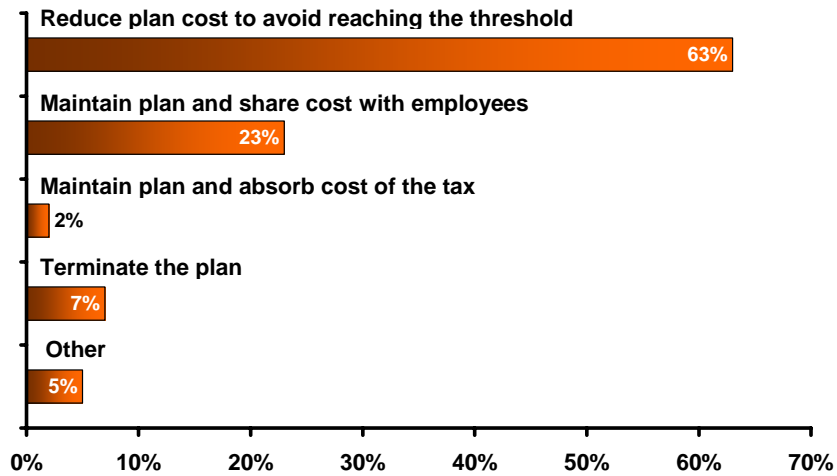
% responding very likely/likely



* Excluding those who responded "don't know"

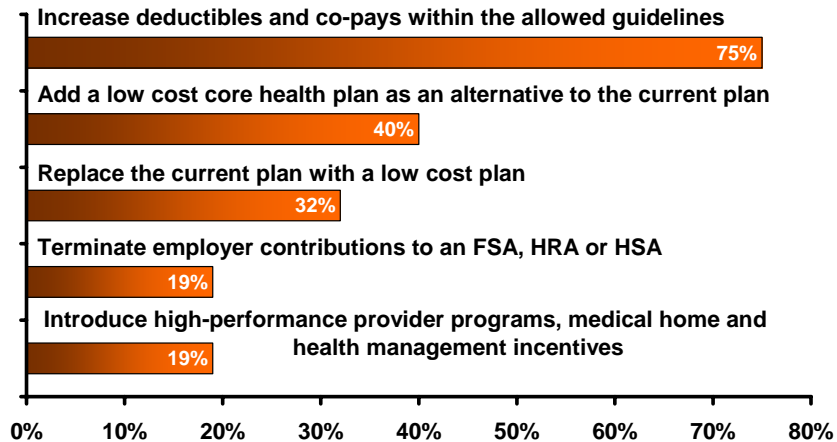
Source: Towers-Perrin, "Health Care Reform: Leading Employers Weigh In," Sept. 2009, Exhibit 12.

Employer Response to the Excise Tax



Source: Mercer News Release, "Majority of employers would reduce health benefits to avoid proposed excise tax," Dec. 2009, Figure 1.

How Employers That Said They Would Cut Benefits to Avoid the Excise Tax Would Cut Health Care Costs



Source: Mercer News Release, "Majority of employers would reduce health benefits to avoid proposed excise tax," Dec. 2009, Figure 2.