

The Patient CARE Act

Making the Tax Code More Fair and Efficient For All Americans

Q. How does your proposal to cap the exclusion actually work? How will it impact my employer coverage?

A. Employer sponsored insurance is an important feature of our health care system that provides coverage to more than 160 million Americans. Our proposal recognizes the role of this system by getting rid of the job-killing employer mandate and by preserving the employer deduction – both of which are important incentives for employers to offer coverage.

However, we also agree with health care economists—ranging from Milton Friedman to Jason Furman – that this open-ended tax preference creates a huge distortion which encourages higher costs and increased spending. This wasteful and inefficient tax treatment is also unfair. Self-employed Americans and those who work for small businesses do not have the same opportunity to use pre-tax dollars to buy their health coverage.

Our pragmatic approach does the following to strike the right balance between these contending factors:

- Repeal the job-killing employer mandate in Obamacare which is a major incentive for employers to drop coverage.
- *Maintain the employer deduction*, so they continue to have incentive to provide quality coverage to their employees.
- Institute a modest cap on the exclusion for the most generous high-cost plans; specifically, cap it at 65 percent of the average market price for an expensive high-option plan.

Q. So how do you help those individuals who do not qualify for the credit and who does not have access to employer sponsored coverage?

A. For the first time, individuals and families will be able to use their *pre-tax* dollars in their Health Savings Accounts (HSAs) to pay for their premiums, long term insurance and/or COBRA. This is a huge step forward in levelling the playing field on this tax distortion where only those with employer sponsored coverage are privy to buying their health care with pre-tax dollars.