



KENAI PENINSULA BOROUGH

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MIKE NAVARRE
BOROUGH MAYOR

MEMORANDUM

TO: Dale Bagley, Assembly President
Members, Kenai Peninsula Borough Assembly

THRU: Mike Navarre, Mayor *MN*

FROM: Stormy Brown, Director of Human Resources *SB*
Craig Chapman, Director of Finance *CA* *SM* *CC*

DATE: May 7, 2015

SUBJECT: Resolution 2015-*025* A Resolution Urging Congress to Apply Demographic Adjustments to Calculations for the Affordable Care Act Excise Tax Thresholds

Beginning in 2018, the Affordable Care Act (ACA), will assess a 40 percent excise tax on the excess cost of a health plan above a dollar threshold. The threshold was set at \$10,200 per year for employee-only coverage, and \$27,500 for an employee and family.

The ACA applies adjustments to this threshold for cost of living adjustments over time, but the adjustments are designed to be significantly less than health care trend increases, thus subjecting increasing numbers of health plans to the tax each year. Moreover, although thresholds may also be adjusted for age and gender and for individuals in high-risk professions when they represent the majority of their plan participants, no adjustment is made for health plans located in high cost states, such as Alaska.

The tax will hit Alaskans harder than people in any other state. According to the Kaiser Family Foundation (2013), the total premium cost for single coverage in Alaska was 32 percent higher than the US average. For employee-plus-one coverage, Alaska's average cost was 35 percent higher than the US average; and for family coverage, Alaska's cost was 29 percent higher than the national average. The Institute of Social and Economic Research (ISER) at the University of Alaska conducted a survey of Alaska employers, and found that 73 percent of the employers that offered health coverage provided a comprehensive plan. Among plans offering comprehensive coverage, the average premium in 2013 for employee-only coverage was \$10,224, which is already over the single threshold.

Considering the rate of increase in the cost of health coverage, it is likely that a majority of Alaska based health plans will be subject to the excise tax for both single coverage and family coverage in 2018. Alaska employers and participants already pay significantly more for health care than in any other state, and if the excise tax goes into effect without demographic differentials, they will be faced with additional burdens.

We request the assembly recommend by resolution to the Alaska Congressional Delegation that they address this issue legislatively through an adjustment in the excise tax threshold regulations for Alaska and other high cost states.

Your consideration of this resolution is greatly appreciated.