

Notice 2015-16

APR 28 2015

From: Chuck Petruccione <cpetruccione@bbhartford.com>
Sent: Saturday, April 25, 2015 12:53 PM
To: Notice Comments
Subject: Notice 2015-16

Hello,

My name is Chuck Petruccione, and I'm the Benefits Department Manager for the Connecticut office of Brown & Brown Insurance, Inc., one of the largest employee benefits brokerage firms in the country. We manage the benefits for hundreds of clients locally, and thousands nationally. Despite being 3 years away, the Cadillac Tax has been a concern for many of our employers for quite some time now. Thank you for taking the time to read my notes here. I'm sure you will be receiving a lot of feedback on the Cadillac Tax prior to the May 15 deadline for comments, so I will keep my concerns/suggestions short and to the point:

- I understand there is an allowance in the law to have the actual threshold amounts indexed for inflation. We all know that health insurance costs have been rising at a steep rate since 2010 when the threshold numbers were originally set, so any increasing of the threshold amount that takes these rising costs in to account would be greatly appreciated by our employers.
- If it is at all possible, we feel that regional pricing differences should be taken in to account when calculating the Cadillac Tax. It's no secret that medical costs in general are higher here in the Northeast than they are elsewhere in the country. To me, the reason for the Cadillac Tax is to discourage employers from offering benefits plans that are unnecessarily rich. However, a company based in the Northeast has no control over the fact that the premiums on their plans are higher than they are in, say, the Southern part of the country. That would mean that an employer in Connecticut may be hit with a Cadillac Tax on their plan, while a similar employer in Florida would not, even if they offered the exact same plan design, simply because premiums are lower there, which is something 100% out of the control of the employer.
- As the way the law is currently written, all pre-tax contributions to a Health Savings Account through a cafeteria plan will also count toward a plan's Cadillac Tax calculation. This includes both an employer's contribution and an employee's contribution. Now, I can understand the logic behind including the employer's contribution – if they wanted to keep premiums down with their insurance company, they could select a plan with a higher deductible, and then offset that by funding part or all of that deductible in an employee's HSA. That could certainly be seen as a way of cheating the system. However, the whole purpose of creating HSAs was to offer employees a means to save pre-tax money that they can only use on future qualified medical expenses. We have stressed for years that people who have the financial ability to put a few extra dollars in to an HSA should do so, because it's a fiscally responsible way to save for medical expenses. It's not like they are socking away a huge sum of money and avoiding paying taxes on it – that can't be done because of the annual limitations the IRS puts on the amounts people can contribute. However, if even this modest amount of money they are able to save on a pre-tax basis is to be included in the Cadillac Tax calculation, you'd be creating a situation where people are getting taxed at a 40% rate on those HSA contributions that are supposed to be "pre-tax" when they could have instead chosen not to put the money away, and instead received the money as part of their regular income and paid their regular income tax rate on that (which in most people's cases would be less than 40%.) I would ask that you consider not including an employee's pre-tax contributions in to an HSA in the Cadillac Tax calculation.

Thank you again for taking the time to read this. I would be glad to discuss this matter in greater detail if necessary.

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