

## To Open Eyes, W-2s List Cost of Providing a Health Plan

New York Times Online by Robert Pear -

January 29, 2013:

As workers open their W-2 forms this month, many will see a new box with information on the total cost of employer-sponsored health insurance coverage. To some, it will be a surprise, perhaps even a shock.

Workers often have little idea how much they and their employers are paying for coverage. In many cases, economists say, workers give up cash compensation to get and keep health benefits.

The disclosures, required by the 2010 health care law, are meant to make workers more cost-conscious. Health benefits are still tax-free. But labor unions and employer groups say it could be easier to tax them in the future, now that employers must report their value to the government.

The new information appears in Box 12 of the standard W-2 form, with a two-letter code, DD. The box shows the "cost of employer-sponsored health coverage." And that amount is not taxable, the Internal Revenue Service says on the back of the form.

Jay J. Makled, a union steward for the United Automobile Workers at the Ford plant in Dearborn, Mich., described his reaction after seeing that his health coverage cost nearly \$16,000 last year: "It's quite expensive. I was surprised to see how much the company was paying for that benefit."

Hourly employees represented by the union there said they generally did not pay any of the premium.

The number on the W-2 form is supposed to reflect the part of the cost paid by the employer and the part paid by the employee.

Prof. Nicole Huberfeld, an expert on health law at the University of Kentucky, who received her W-2 form on Monday, said, "Most people who get health insurance from their employers have no idea how much it costs."

"People are often shocked when they see the cost, \$12,000 to \$16,000 a year," Ms. Huberfeld said. "Many Americans believe this is something they get free. But employers pay lower wages because they provide insurance."

In 2012, according to an annual survey by the Kaiser Family Foundation, premiums for employer-sponsored health insurance averaged \$5,615 a year for single coverage and \$15,745 for family coverage. Over five years, the costs have increased 25 percent for individual coverage and 30 percent for family coverage.

"Health coverage is a big piece of people's income and a large part of the social welfare budget," said C. Eugene Steuerle, a tax economist at the Urban Institute. "But the benefits are not taxable, and most of the spending is hidden, so we don't

consider the trade-offs. If we want to get control of health care costs, people have to be aware of them."

That is the goal of the disclosure requirement, which was proposed by a bipartisan group of senators: two Republicans, Charles E. Grassley of Iowa and Michael B. Enzi of Wyoming, and two Democrats, Max Baucus of Montana and Ron Wyden of Oregon.

Congress acted after Peter R. Orszag, then the director of the Congressional Budget Office, told lawmakers: "The economic evidence is overwhelming, the theory is overwhelming, that when your firm pays for your health insurance, you actually pay through reduced take-home pay. The firm is not giving that to you for free."

The tax-free treatment of employer-provided health benefits is the largest tax break in the tax code, costing the government roughly \$180 billion a year in lost revenue, or 80 percent more than the home mortgage interest deduction, according to the administration.

Katie W. Mahoney, the executive director of health policy at the U.S. Chamber of Commerce, said, "It's useful for employees to know the value of coverage their employers provide." But she said some employers worried that reporting the benefit on the W-2 form could lead to taxing the benefit.

"That's not the intent of the current requirement," Ms. Mahoney said. "But once the information is collected by the government, it's very easy for another administration to have a different intent."

An employee of the A.F.L.-C.I.O. whose health coverage was listed as costing more than \$20,000 said: "That knocks my socks off. When I saw the number, my eyes popped out. I appreciate my employer all the more."

The employee said he had been told not to discuss the cost publicly because the union did not want to suggest that some employees had "Cadillac coverage."

An employer that fails to comply with the reporting requirement could be subject to penalties of \$200 per W-2 form, up to a maximum of \$3 million, tax lawyers said.

Employers are exempt from the reporting obligation if they are required to file fewer than 250 W-2 forms, the I.R.S. said. That could change, but the agency said employers would be given at least six months' notice.