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Obama, Dems cut deal to exempt union health care from taxes

By: [Susan Ferrechio](#)**Chief Congressional Correspondent****January 15, 2010**

The White House has agreed to concessions in its health care legislation aimed at sparing union workers the bulk of a new tax.

We have seen tremendous progress over the last couple of days," said AFL-CIO President Richard Trumka, signaling an easier path for the legislation in the union-friendly House.

The deal concerns a provision in the Senate health care bill that would impose a 40 percent tax on insurance plans costing more than \$8,500 for individuals and \$23,000 for families -- far beyond the average cost of a family insurance policy of \$13,375, according to the Kaiser Family Foundation.

Under the deal struck Thursday, the tax threshold would be raised to \$8,900 for individuals and \$24,000 for families and would be adjusted for groups according to age and gender. The tax will also exclude dental and vision coverage.

While the new thresholds and exclusions would affect all insurance policies, a special exception was carved out for union workers, exempting them from any tax until 2018. The deal will also allow union workers to be eligible for new government insurance exchanges.

Union chiefs have been huddling for days with White House officials in an effort to find a compromise over the excise tax, which President Obama has insisted remain in the bill.

Originally budgeted to raise approximately \$150 million, the new threshold cuts that revenue by \$60 billion, which means Congress will have to find a way to restore that money through another tax. Democratic leaders are considering raising the Medicare payroll tax. The Senate plan already includes a provision to raise this tax on people earning more than \$200,000.

Michael Tanner, a health care policy expert at the Cato Institute, a libertarian think tank, called the arrangement "vote hunting, not public policy."

But it is not even clear whether the deal will be accepted by House and Senate lawmakers. Trumka said that "we think everybody is on board with this," in Congress, but leadership aides from both chambers refused to confirm this, although a House aide said agreement could be reached by the weekend.

House Democrats will continue meeting secretly at their annual retreat on Friday and the focus will be health care.

President Obama met with Democrats late Thursday at their retreat, held in the Capitol.

He told lawmakers he wasn't worried about Republicans attacking the health care reform plan during the fall elections.

"If Republicans want to campaign against what we've done by standing up for the status quo and for insurance companies over American families and businesses, that is a fight I want to have," Obama said. But he also acknowledged, "I know that some of the fights we've been going through have been tough. I know that some of you have gotten beaten up at home."

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