

December 16, 2016

Dear Member of Congress:

The Nation's employers provide stable health care benefits to more than 177 million Americans – the largest source of health coverage in the country. Moreover, surveys show that employees and their families value and rely upon the health benefits their employers offer. **We strongly urge you to repeal the 40 percent “Cadillac Tax” on health benefits imposed by the Patient Protection and Affordable Care Act (ACA), and not to take additional action to cap the individual tax exclusion for employer-provided health care benefits, or limit employers’ deductibility of health care expenses.**

We would like to thank you for passing legislation to permanently repeal the Cadillac Tax in the reconciliation bill (H.R. 3762) Congress passed in December 2015. We have long argued that the tax would not lower health care costs, and clearly many leaders in the House and Senate agree, given the repeated efforts to both delay and repeal the tax. These efforts were prompted by findings that the Cadillac tax spurred punitive and uneven health plan changes that were detrimental to early-retirees, women, older workers, larger families, and anyone living in higher-cost health delivery areas.

We support efforts aimed at controlling health care costs, but taxing an employers’ deduction or capping an employee’s exclusion will not accomplish that objective. On the contrary, both measures will raise costs for employers and employees.

For more than 30 years, employers have been working on behalf of their employees to rein in health care costs. Employers negotiate with providers and insurers for the lowest pricing that is consistent with the best care. Employers develop and engage in innovative delivery system reforms, lead in the transition to consumer-driven health benefits and wellness programs, and help employees navigate the complex and confusing health care system. These are the types of improvements that lower the actual cost of delivering quality health care.

Increasing taxes on individuals, employers, and/or their health insurance will not reduce the cost of delivering health care. It will, however, constitute a tax increase and drive up out-of-pocket health care costs for employees and their families, risking disruption to the system, and threatening the benefits working families enjoy and want to keep. American voters want lower-cost and high quality health care; they do not want more taxes.

The Congressional Budget Office (CBO) has analyzed the likely results if policymakers impose a limit on the extent to which employer-provided health care benefits could be excluded from income and payroll taxation.¹ According to the CBO, this would:

- “Increase the financial burden on some people with substantial health problems;”
- “[P]robably limit some people’s access to health care and cause them to forgo some care;”
- Reduce “the use of effective care” and “could be accompanied by worse health for some people;”
- “[M]ight decrease employers’ willingness to hire older workers or cause employers to reduce other forms of compensation for older workers, such as cash wages or contributions to pension plans;” and
- “[L]ead fewer employers to offer health insurance, thus increasing the number of uninsured workers.”

¹ Congressional Budget Office, “Options for Reducing the Deficit: 2014 to 2023,” November 13, 2013.

Taxing health benefits by placing a cap on the individual tax exclusion for employer-sponsored insurance will not help middle class families. Instead, taxing health benefits would constitute a tax increase for millions of Americans who are already struggling to afford health insurance. This policy would discourage lower-wage workers from enrolling in employer-provided insurance, potentially leaving them vulnerable and uninsured or in unstable individual market plans.

Many of the current ACA replacement proposals rely on increasing individuals' taxes on employer-sponsored health insurance by capping their tax exclusion to pay for expanding coverage under the new replace proposals. **We have the opportunity to repeal a bad policy in the ACA's Cadillac Tax. We strongly urge Congress to not make the same mistake a second time by capping the tax exclusion on employer-provided health care benefits.** Providing tax credits for purchasing individual coverage, or any other reforms to the health system, should not come at the expense of those who receive health care through their employer.

Employers add tremendous value to the health care system and have long supported efforts to reform the system, and acknowledge the health care challenges our nation faces. We look forward to working with you to design legislation that can help increase Americans' health insurance coverage options, improve the quality of health care, and take critical action to apply downward pressure on the real drivers of health care costs, without imposing new taxes on Americans.

Sincerely,

American Architectural Manufacturers Association
American Benefits Council
American Rental Association
American Staffing Association
Associated General Contractors
Auto Care Association
Automotive Parts & Services Association
College and University Professional Association for Human Resources
Employers Council on Flexible Compensation
Food Marketing Institute
Health Action Council
HR Policy Association
Independent Insurance Agents & Brokers of America, Inc.
National Alliance of Healthcare Purchaser Coalitions
National Association of Health Underwriters
National Association of Insurance and Financial Advisors
National Association of Wholesaler-Distributors
National Business Group on Health
National Club Association
National Retail Federation
National Rural Electric Cooperative Association
NTCA - The Rural Broadband Association
Outdoor Amusement Business Association, Inc.
Retail Industry Leaders Association
Self-Insurance Institute of America
Small Business & Entrepreneurship Council
Society for Human Resource Management
Society of American Florists
Society of Professional Benefit Administrators
The Alliance
The Council of Insurance Agents & Brokers
The ERISA Industry Committee
U.S. Chamber of Commerce