



AMERICAN BENEFITS COUNCIL

December 9, 2019

The Honorable Mitch McConnell
Majority Leader
U.S. Senate
Washington, DC 20515

The Honorable Charles Schumer
Democratic Leader
U.S. Senate
Washington, DC 20515

The Honorable Nancy Pelosi
Speaker
U.S. House of Representatives
Washington, DC 20515

The Honorable Kevin McCarthy
Republican Leader
U.S. House of Representatives
Washington, DC 20515

Dear Leader McConnell, Leader Schumer, Speaker Pelosi and Leader McCarthy,

On behalf of the American Benefits Council, I am writing to urge you to repeal the 40 percent “Cadillac Tax” this year. America’s businesses have long supported the Middle Class Health Benefits Tax Repeal Act (S. 684/H.R. 748), which would fully and immediately repeal the 40 percent “Cadillac Tax” on employer-sponsored health coverage.

As you know, there is strong support for repealing the 40% tax in both chambers of Congress and among employers and employees across the country. In addition to the 63 cosponsors in the Senate and 419 votes for repeal in the U.S. House of Representatives, more than 1100 organizations including businesses, nonprofits, cities, chambers of commerce, insurers, brokers, unions and patient advocacy groups recently signed [a letter](#) supporting full repeal of the “Cadillac Tax.” Additionally, in a November 2019 poll conducted by a nationally recognized public opinion research firm, 93% of all voters opposed taxing employer-provided health insurance.

The American Benefits Council is a Washington D.C.-based employee benefits public policy organization. The Council advocates for employers dedicated to the achievement of best-in-class solutions that protect and encourage the health and financial well-being of their workers, retirees and families. Council members include over 220 of the world's largest corporations and collectively either directly sponsor or

support sponsors of health and retirement benefits for virtually all Americans covered by employer-provided plans. Consequently, we are keenly aware of the drastic impact the “Cadillac Tax” would have on health care benefits. We have already witnessed some of the negative consequences, even though the tax does not technically go into effect until 2022.

Starting that year, a 40 percent excise tax will be imposed on employer-sponsored coverage that exceeds certain dollar thresholds. For millions of Americans who rely upon health insurance coverage through an employer, the looming implementation of the tax has *already* resulted in reduced coverage and increased out-of-pocket costs. The reason for this is, to ensure the impact of the tax on participants is not imposed suddenly and severely in 2022, many employers have already reluctantly been compelled to make plan changes: reducing important benefits or asking workers to assume a larger share of deductibles and copayments. This trend will accelerate without swift action by Congress.

A recent Kaiser Family Foundation (KFF) [analysis](#) estimates the tax “would affect more than one in five (21%) employers offering health benefits when it takes effect in 2022 unless employers change their health plans. An even larger share (31%) could be affected when workers’ voluntary contributions to Flexible Spending Accounts are taken into account. ... The analysis projects that the ‘Cadillac Tax’ would affect a growing share of employers over time, reaching 37% in 2030 without including FSA contributions (and 46% with them).”

The “Cadillac Tax” is especially harmful because it does not primarily affect “overly generous” health plans. It hits plans that are expensive for reasons beyond the control of employers and workers. A compelling report issued by Mercer¹ makes clear that it is the population covered (e.g., plans with large numbers of women, older workers or retirees), not “rich” benefits, that will most likely cause health plan costs to trigger the tax. It is highly inequitable that those individuals, as well as families suffering chronic conditions or catastrophic health events or people in high-cost parts of the country, will be most likely to participate in plans that will be subjected to the tax.

There are too few occasions when Congress acts on a bipartisan basis on matters relating to health care policy. Yet the public’s concern about high health costs does not break down along party lines. In a November 2019 poll conducted by a nationally recognized public opinion research firm, 93% of all voters opposed taxing employer-provided health insurance. Congress has an obligation to respond to this pressing concern of the American public. We urge passage of this measure this year, before American workers and their families feel any further effects from this misbegotten tax. Thank you.

¹ See http://www.fightthe40.com/AlliancetoFightThe40/assets/File/Alliance/FT40_Grassley_Wyden_letter_05302019.pdf, Page 2 chart

Sincerely,

James A. Klein

James A. Klein
President