



AMERICAN BENEFITS COUNCIL

July 14, 2019

The Honorable Nancy Pelosi
Speaker of the House
United States House of Representatives
Washington, DC 20515

The Honorable Kevin McCarthy
Minority Leader
United States House of Representatives
Washington, DC 20515

Dear Speaker Pelosi and Leader McCarthy,

We are very gratified that the Middle Class Health Benefits Tax Repeal Act (H.R. 748) will be voted upon shortly in the House of Representatives. This widely bipartisan measure sponsored by Representatives Joe Courtney and Mike Kelly would fully and immediately repeal the 40 percent “Cadillac Tax” that threatens the high-value, high-quality health coverage that 181 million Americans receive through employers. We ask that you strongly urge the members of your respective caucuses to support this measure. Passage of H.R. 748 with a large bipartisan majority will send a powerful signal to the Senate of the need to quickly approve this legislation.

The American Benefits Council’s members 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.

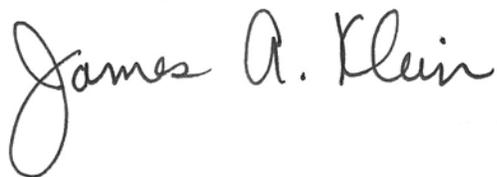
A just-released Kaiser Family Foundation (KFF) [analysis](#) estimates the tax “would affect more than one in five (21%) employers offering health benefits when it takes effect in 2022 unless employers change their health plans. An even larger share (31%) could be affected when workers’ voluntary contributions 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 nationwide 2018 election night poll of American voters conducted by Public Opinion Strategies, more than 4 out of 5 (81 percent) said that “employer provided health insurance should continue to be tax-free.” Numerous polls before and since the election have ranked “health care” as the top concern for American voters. And within the realm of health care issues, addressing high costs is the No. 1 priority.

Congress has an obligation to respond to this pressing concern of the American public. The 358 bipartisan cosponsors of H.R. 748 is evidence that the House of Representatives has heard this message. We urge overwhelming passage of this measure so that the Senate will quickly follow your lead. Thank you.

Sincerely,



James A. Klein
President

cc: All members, U.S. House of Representatives

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