AMERICAN BENEFITS COUNCIL

November 28, 2018

The Honorable Mitch McConnell
Republican Leader
U.S. Senate
Washington, DC 20510

The Honorable Charles E. Schumer
Democratic Leader
U.S. Senate
Washington, DC 20510

The Honorable Paul D. Ryan
Speaker
U.S. House of Representatives
Washington, DC 20515

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

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

On behalf of the American Benefits Council (the Council), I am writing to recommend decisive action on critically important health policy matters before the end of the year.

The Council is a public policy organization whose members include over 220 of the world's largest corporations, as ranked by Fortune and Forbes. Collectively, the Council's members either directly sponsor or administer health and retirement benefits for virtually all Americans covered by employer-sponsored plans.

More than 181 million Americans currently enjoy health coverage provided by an employer. Successful, bipartisan policymaking is therefore vital not only to the health and well-being of hardworking Americans and their families, but to the health care system as a whole and the greater economy.

A new report published by the Council, **American Benefits Legacy: The Unique Value of Employer Sponsorship**, details the important contribution employer-sponsored benefits make to the health and financial security of American workers, their families and the economy. Throughout the duration of the 115th Congress we have recommended a number of reforms that would lower costs, encourage innovation and improve health outcomes for millions of Americans with employer-sponsored coverage.

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We look forward to working with Congress on these numerous proposals in the coming months, but there are two specific issues that are particularly urgent. Before the 115th Congress concludes, you have the opportunity to enact meaningful reforms that make quality health care more affordable for working families. Specifically, we urge you to (1) repeal the 40 percent "Cadillac Tax" on employer-provided health coverage and (2) enact a package of health savings account (HSA) reforms.

REPEAL THE 40 PERCENT "CADILLAC TAX"

A 2018 election-night poll by Luntz Global revealed that **more than four in five American voters (81 percent) believe employer-provided health insurance should remain tax-free** because it encourages employers to provide good-quality coverage at a more affordable price for workers and their families. And yet, the 40 percent tax on employer-provided health coverage remains on the books.

Starting in 2022, the Affordable Care Act (ACA) imposes a 40 percent tax on employer-sponsored coverage that exceeds certain thresholds, projected to be $10,800 for employee-only coverage and $29,100 for family coverage.

We urge the full and immediate repeal of this tax. To stay under these limits, employers will be reluctantly compelled to shift costs to workers in the form of higher deductibles and copays. Many Americans are already experiencing reduced coverage and increased out-of-pocket burdens. According to a recent Peterson-Kaiser Health System Tracker health care brief, between 2006 and 2016, deductibles in employer-provided health plans increased 176 percent and workers have faced a 54 percent increase in overall out-of-pocket costs.

The most vulnerable will be the most likely to suffer the consequences of the "Cadillac Tax." There is relatively little difference between the plan designs of those employers who will reach the threshold and those who will not. However, the misguided tax unfairly targets:

- Women and families.
- Older workers and retirees.
- The chronically ill and those suffering through a catastrophic health event.
- People living in communities with especially high costs.

The Council strongly believes that the "Cadillac Tax" must be repealed and we support repeal legislation in both chambers with substantial bipartisan support: the Middle Class Health Benefits Tax Repeal Act (H.R. 173/S. 58). Because employers typically plan for benefits several years in advance, the looming threat of this tax is sufficient to compel employers to take action well before the expected effective date. Full repeal is the only real solution to this problem.

According to the same election night poll referenced above, a majority of voters (55 percent), believe "reducing health care costs (premiums, deductibles, and/or co-pays)" is the most important health care reform priority facing the nation. Working families are already stretched to the limit and cannot afford to pay even more for health care. And employers should be encouraged, not punished, for providing quality health care for their employees. There should be no delay in repealing the 40 percent tax, which would help keep coverage affordable for millions of working Americans.

ENACT HSA REFORMS

Employer-provided health insurance is predicated on smart tax incentives and companies' ability to design and offer plans that best suit the needs of a dynamic workforce. HSAs are the direct descendants of this sound public policy. They are an important tool for employers striving to provide affordable coverage and allow employees and their families to take greater control of their health care.

As we wrote in our 2015 report, Magnifying A 2020 Vision: A Closer Look at Selected Proposals to Strengthen Employer-Sponsored Health Benefits, **HSAs have been used to help make health coverage more affordable, encourage a wiser consumption of health services and allow tax-free spending on a wide range of qualified medical expenses.** However, HSAs have not been modernized since 2003 and current law imposes many restrictive rules on these programs, limiting the movement toward value-based plan designs.

We strongly support legislation to enhance HSAs by making them more flexible and responsive to workers' needs. For example, reforms should expand the kinds of services that could be covered under a health plan without being subject to a deductible, such as chronic disease prevention and treatment at on-site and near-site clinics offered by employers.

The Health Savings Act (S. 403), sponsored by Senate Finance Committee Orrin Hatch, incorporates many of the Council's recommendations for modernizing HSAs. Similarly, two bills approved earlier this year by the U.S. House of Representatives – the Restoring Access to Medication and Modernizing Health Savings Accounts Act (H.R. 6199) and the Increasing Access to Lower Premium Plans and Expanding Health Savings Accounts Act (H.R. 6311) – include provisions that are based on recommendations first offered by the Council and others that are more limited versions of earlier legislation the Council supported.

Employers are at the forefront of innovative strategies to lower health care costs and improve outcomes by providing employees with access to services, like telehealth, chronic disease management, and onsite and near-site health centers. HSA improvements can be an important facilitator of this innovation. **We urge lawmakers to build upon and enact reforms that enhance the value of HSAs.**

Voters spoke clearly in the recent election: health care is the highest priority issue in America today. Additionally, more than seven in 10 reported to Public Opinion Strategies that “legislation developed through compromise and cooperation from both parties” would “do the most to improve your access to quality health care.” Action need not wait until 2019.

For many of the millions of American voters who said economic security is the most important issue facing our country, the ability to obtain affordable, high-quality health care is paramount. With only days remaining before the 115th Congress adjourns lawmakers should respond to voters’ concerns by working together to preserve health and financial security.

Thank you for your past recognition of the value of employer-sponsored health plans. We look forward to working with you on our full slate of health policy recommendations, which we believe will advance our shared goals.

Sincerely,

James A. Klein

President

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