



## AMERICAN BENEFITS COUNCIL

December 16, 2015

The Honorable Mitch McConnell  
Senate Majority Leader  
Washington, DC 20510

The Honorable Harry Reid  
Senate Minority Leader  
Washington, DC 20510

Dear Senator McConnell and Senator Reid,

I write on behalf of the American Benefits Council (“Council”) in support of congressional action to protect the health coverage of over 175 million Americans by supporting the delay of the 40% “Cadillac Tax” which is included in the proposed tax-extender legislation. This is a top priority for our employer member companies.

The Council is a public policy advocacy organization representing principally major companies and other organizations that assist employers of all sizes in providing benefits to employees. Collectively, the Council’s members sponsor directly or provide services to health and retirement plans covering more than 100 million Americans.

As you know, the Council has communicated with Congress numerous times since the enactment of the Affordable Care Act (ACA) about the serious burden this tax imposes on employers and the threat it presents to employer-sponsored health coverage. The Council strongly believes that repeal of the tax is critically important. Delaying the effective date is an important first step.

In addition to the tremendous administrative complexity for businesses involved in calculating the tax, and the financial burden of paying it, the tax imposes a number of illogical, counterproductive and ultimately unavoidable results:

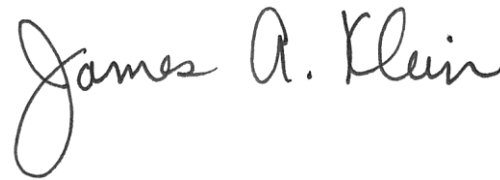
- Research conducted for the Council determined that in 2018, the year the tax goes into effect, in certain high cost areas of the country even the second lowest-cost “silver” plan in the small employer exchanges will trigger the tax; even though these types of plans *are required by the ACA to be offered*.

- The most expensive plan an employer sponsors is not necessarily the most comprehensive plan offered. Some plans will trigger the tax simply because they cover a disproportionate number of older or disabled workers, or are the plans selected by families that experience catastrophic health events, or that cover workers in certain higher cost areas.
- The positive initiatives that employers are taking to contain costs – providing on-site clinics, wellness programs and sponsoring flexible accounts that help families bear their share of the cost – are all expenses that apply in determining the tax. Preventive services *the ACA requires employers to offer without employee cost-sharing* also count toward determining if the tax is triggered.
- Ultimately, in some areas even plans that only meet the minimum required by the ACA will trigger the tax – placing employers in the untenable position of either paying the employer mandate penalty or the “Cadillac Tax.”

The non-deductible 40% “Cadillac Tax” will hurt businesses, jobs, and the economy. According to [a National Association of Manufacturers study](#), if costs increase at a rate slightly higher than the average over the past 15 years, the tax would be responsible for 2.6 million jobs lost and a reduction in household income of \$3,800 by 2035.

The year-end “omnibus” package includes a two year delay of the tax and would make the tax deductible for employers. For these reasons stated above, the business community supports repealing this tax and asks Congress to immediately support a two-year delay.

Sincerely,

A handwritten signature in black ink that reads "James A. Klein". The signature is written in a cursive, flowing style with a large initial "J".

James A. Klein  
President

cc: All offices, U.S. Senate