April 14, 2015

Honorable Frank Guinta
326 Cannon House Office Building
Washington, DC 20515

Dear Representative Guinta:

On behalf of the undersigned organizations, which represent both public and private sector employers across multiple industries, we thank you for introducing the Ax the Tax on Middle Class Americans’ Health Plans Act, H.R. 879, which would repeal the nondeductible 40% excise tax that the Affordable Care Act will impose on so called “Cadillac” healthcare plans. If the excise tax goes into effect as planned in 2018, millions of employees will lose their current healthcare coverage and thousands of school districts, colleges and universities, cities and towns, and private employers across the country will be forced to pay astronomical sums under the tax or greatly reduce or eliminate the health benefits they provide to their employees. The cost imposed by the tax will be borne by American workers, taxpayers and consumers. Congress can prevent this by quickly passing H.R. 879.

While the tax does not go into effect until 2018, it is already impacting many counties, municipalities, and employers as they begin to negotiate bargaining agreements with unions that span through implementation of the tax. Many of these entities are therefore already attempting to find ways to minimize the significant and negative repercussions of this substantial tax on their budgets and employee benefits. In addition, many nonunionized employers are adjusting plans in anticipation of the tax.

For example, many counties across America have already begun to assess their potential liability under the excise tax and take steps as detailed in a recent study done by the National Association of Counties (available at [link](http://www.naco.org/newsroom/pubs/Documents/Health%20Human%20Services%20and%20Justice/Excise%20Tax%20Publication%20Final.PDF)). Also, in a recent survey of 300 colleges and universities with PPO plans by the College and University Professional Association for Human Resources, nearly 10% reported already having plan cost that exceed the 2018 threshold (the survey did not factor in flexible spending account reimbursements, contributions to health saving accounts and similar costs beyond the premium so it underestimates the number of impacted institutions). A third of the respondents have collective bargaining agreements, while the remaining two-thirds are not unionized.

But this just the tip of the iceberg as many more plans and the employees they will cover will be impacted in coming years. While proponents claim the tax will only impact high dollar “Cadillac” health coverage, that is simply not the case. The ACA
imposes a nondeductible 40% excise tax for any healthcare plan costs that exceed preset thresholds. Plan costs are defined quite broadly and include not only premiums but also flexible spending account reimbursements, contributions to health saving accounts and other costs. The thresholds for 2018 are set for $10,200 for individual coverage and $27,500 for family coverage. Annual increases to threshold levels are tied to the consumer price index (CPI) even though medical inflation has historically been much higher than CPI. As a result, the cost of these plans will increase much faster than the threshold, and the excise tax will apply to increasing numbers of plans every year. As a report by American Health Policy Institute (AHPI), a nonpartisan think tank, put it, “the inexorable increase in health care costs will eventually cause Chevrolet benefit plans to be taxed as Cadillacs.” Thus, the tax will negatively and dramatically impact millions of Americans.

The Ax the Tax on Middle Class Americans’ Health Plans Act will eliminate this problematic tax and protect the healthcare and out-of-pocket costs of millions of hardworking Americans. We thank you again for introduction of this essential bill and urge its immediate passage.

Sincerely,

International Public Management Association for Human Resources
College and University Professional Association for Human Resources
National Association of Counties
National Public Employer Labor Relations Association
The Society for Human Resource Management