June 1, 2015

Honorable Joe Courtney
2348 Rayburn House Office Building
Washington, DC 20515

Dear Representative Courtney:

On behalf of the undersigned organizations, which represent both public and private sector employers across multiple industries, we thank you for introducing H.R. 2050, the Middle Class Health Benefits Tax Repeal Act of 2015, which would repeal the nondeductible 40% excise tax that the Affordable Care Act (ACA) will impose on certain employer-sponsored healthcare plans starting in 2018. While the tax was originally intended for high cost “Cadillac” healthcare plans, it has become clear that the tax will be levied on a much broader category of plans overtime. As a result, the tax will impact millions of employees and thousands of school districts, colleges and universities, cities and towns, and private employers across the country. These entities will be forced to bear the substantial costs under the tax, significantly reduce or even eliminate health benefits they provide for their employees, or both. This will harm American taxpayers, consumers, and workers. To prevent these repercussions, we urge Congress to pass H.R. 2050.

The excise tax is currently scheduled to go into effect in 2018, but cities, municipalities, colleges, universities, and small businesses nationwide are already considering the extensive impact it will have on their costs as they begin negotiating bargaining agreements with unions that span through 2018. Many of these organizations and entities need to find ways to minimize the consequences of the tax on their budgets and employee benefits. Even nonunionized employers are beginning to consider adjusting their plans in anticipation of the tax.

The National Association of Counties (NACo) recently issued a study\(^1\), which detailed the steps being taken by counties across the country as they assess their potential liability under the new tax. Additionally in a recent study of over 300 colleges and universities with PPO healthcare plans, the College and University Professional Association for Human Resources (CUPA-HR) reported that nearly 10% already have plan costs that exceed the 2018 threshold.\(^2\)


\(^2\) CUPA-HR’s 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.
Unfortunately in coming years, even more plans and the employees they cover will be impacted by implementation of the tax. The ACA imposed the nondeductible 40% excise tax for any healthcare plan costs that exceed preset thresholds. Plan costs are defined quite broadly and include premiums, 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, and 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 explained in a report by American Health Policy Institute (AHPI), a nonpartisan think tank, “the inexorable increase in health care costs will eventually cause Chevrolet benefit plans to be taxed as Cadillacs.” The tax will negatively and dramatically impact millions of Americans.

We again thank you for introducing H.R. 2050. For the reasons mentioned above, elimination of the tax and protection of the healthcare and out-of-pocket costs of hardworking Americans is vital to the undersigned organizations. This is much needed legislation, and we 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