

June 9<sup>th</sup>, 2017

The Honorable Mitch McConnell  
Majority Leader  
United States Senate  
Washington, D.C. 20510

The Honorable Charles E. Schumer  
Democratic Leader  
United States Senate  
Washington, D.C. 20510

CC: All members

Dear Majority Leader McConnell, Democratic Leader Schumer, and Members of the United States Senate:

We appreciate the work you are doing to make health care more stable and affordable in the individual market. As you know, the Nation's employers provide stable, highly valued health benefits to more than 177 million Americans – the largest source of health care coverage in the country. As senators work to draft legislation to repeal and replace the Patient Protection and Affordable Care Act (ACA), it is of the utmost importance that legislation avoid any actions that could destabilize the employer-sponsored health care system. **Chief among the threats to employer-sponsored coverage are proposals to tax workers' health coverage, whether by preserving the ACA's 40 percent "Cadillac" tax, or imposing new taxes on employee health care benefits.** Legislation that implements a tax on health benefits ("cap on the exclusion") will result in a system that is worse than current law for workers and for employers, and failure to eliminate the Cadillac tax will raise coverage costs for American workers, their families and employers, and work against efforts to lower health care costs.

Employers sincerely appreciated that the 2015 reconciliation legislation (H.R. 3762, 114<sup>th</sup> Congress) fully repealed the Cadillac tax, and we applaud the 90 members of the U.S. Senate that voted for Senator Heller's Cadillac tax repeal amendment (S. Amdt. 2882). We hope the 2017 reconciliation bill will also fully repeal this harmful tax that is leading to higher costs and less coverage. Protecting employer-sponsored health benefits by repealing the Cadillac Tax and not imposing new taxes on the health benefits of working families is critical to the viability of this country's health care system.

We urge the Senate to also consider the other provisions in the American Health Care Act (AHCA) that would improve access and affordability for employees and businesses alike. These include full repeal of other ACA taxes that raised prices for health care consumers, such as the taxes on fully-insured health insurance plans, on branded pharmaceutical products, and on medical devices. It is critical that legislation maintain the AHCA's elimination of employer mandate penalties, which will once again allow businesses to design benefits that best meet the needs of their workforce.

Additionally, AHCA made a number of changes to consumer-directed accounts that would help plan beneficiaries, including: linking the annual Health Savings Account (HSA) contribution limit to the maximum out-of-pocket limit, fixing the HSA catch-up contribution glitch, creating a grace period in between HSA-qualified plan enrollment and establishment of an HSA, eliminating the cap on Flexible Spending Arrangements (FSAs), and allowing the use of tax-preferred health accounts to purchase over-the-counter medications without a prescription. These provisions all will help reduce health costs for Americans, and should be preserved.

The Senate also has a critical opportunity to improve upon the House's legislation, in ways that can further reduce costs for consumers while improving the overall health care system. In this vein, we hope members will consider some of the following proposals:

- Ensure that an HSA-qualified health plan can offer first-dollar coverage, or waive beneficiary costs, for products and services likely to prevent catastrophic costs later. For example, if a plan chooses to cover diabetics' insulin before the deductible, or waive costs for a remote-monitoring device, this could benefit patients as well as the overall system by keeping beneficiaries healthy and out of the hospital;
- Completely wall-off excepted benefits from HSA-contribution eligibility. For example, if an individual has access to no- or low-copay telehealth benefits or on-site clinic options, this should not prevent the enrollee from making HSA contributions; and
- Streamline rules for rollovers from other accounts (like HRA and FSA) to HSAs, and simplify rules relating to which dependents' costs can be covered from the primary insured's HSA.

Employers contribute tremendously to the health care system, including expertise, innovation, significant resources, and coverage highly-valued by employees, retirees, and their families. **We look forward to working with the Senate to ensure the next iteration of health reform legislation will help strengthen Americans' health insurance coverage options, improve the quality of health care, and take critical action to apply downward pressure on the real drivers of health care costs, without imposing new taxes on the health benefits of hard-working taxpayers.**

Sincerely,

Air Conditioning Contractors of America  
American Architectural Manufacturers Association  
American Benefits Council  
American Hotel & Lodging Association  
American Rental Association  
American Supply Association  
America's Business Benefit Association  
Associated Builders and Contractors  
Associated General Contractors  
Association of the Wall and Ceiling Industry  
Auto Care Association  
California Retailers Association  
Communicating for America, Inc.  
Corporate Health Care Coalition  
Council for Affordable Health Coverage  
Employers Council on Flexible Compensation  
Food Marketing Institute  
Health Action Council  
Home Furnishings Association  
HR Policy Association  
Independent Insurance Agents & Brokers of America  
International Franchise Association  
National Alliance of Healthcare Purchaser Coalitions  
National Association for the Self-Employed  
National Association of Health Underwriters

National Association of Home Builders  
National Association of Insurance and Financial Advisors  
National Association of Wholesaler-Distributors  
National Business Group on Health  
National Club Association  
National Council of Chain Restaurants  
National Electrical Contractors Association (NECA)  
National Federation of Independent Business (NFIB)  
National Newspaper Association  
National Restaurant Association  
National Retail Federation  
Outdoor Amusement Business Association  
Pet Industry Distributors Association  
Promotional Products Association International  
Retail Industry Leaders Association  
Self-Insurance Institute of America  
Service Station Dealers of America and Allied Trades  
Small Business & Entrepreneurship Council  
Small Business Council of America  
Small Business Legislative Council  
SMART, Secondary Materials and Recycled Textile Association  
Society for Human Resource Management (SHRM)  
Society of American Florists  
Society of Professional Benefit Administrators  
Specialty Equipment Market Association  
Specialty Tools & Fasteners Distributors Association  
The Alliance  
The Council of Insurance Agents and Brokers  
The ERISA Industry Committee  
Tire Industry Association  
U.S. Chamber of Commerce