

December 11, 2017

Dear Member of Congress:

The undersigned organizations, which represent thousands of employers who provide quality, affordable health coverage to more than 178 million Americans, request that Congress **grant relief from the impending 40 percent “Cadillac” tax on employer-sponsored health coverage before the end of this year.**

In 2015, Congress acted to protect Americans from the Cadillac tax by delaying it for two years (from 2018 until 2020). While Congress delayed the effective date of the Cadillac tax, the policy is already having an adverse impact. Many employers plan for and determine benefits up to two years in advance. These employers are already restructuring their health care benefit offerings to avoid the future tax. If the Cadillac tax is not repealed, many employers will be forced to make additional benefit modifications. Further, employees will be hurt by higher copays and deductibles and lower Health Savings Account contributions.

The Cadillac tax must be addressed well in advance of the implementation date to spare employees from even higher deductibles and copays. We are once again approaching that critical two-year window prior to which Congress must act to prevent cost increases and benefit reductions that will hurt millions of American families.

While the Cadillac tax ostensibly was intended to target only high-value plans, more modest plans are projected to trigger the tax due to the health costs of the workers and families covered by the plans. In reality, the tax unfairly and disproportionately affects middle-income Americans, women, seniors, and working families. Moreover, small businesses would also be heavily penalized.

In addition, the situation is even more acute today as the Treasury Department has signaled it is moving toward promulgating regulations that will lay out how employers must comply with the Cadillac tax. When a proposed rule or guidance is released, plan sponsors will likely move to curb their exposure to the tax, in ways that will be negative for employees.

Congressional leaders have indicated that they are moving forward with efforts to provide temporary relief from taxes created under the Affordable Care Act (ACA), and the employer community supports those efforts. However, we want to highlight two points regarding the path forward, as it has been communicated so far:

- (1) Employers agree on the importance of providing relief from cost-increasing taxes in the ACA, **including the Cadillac tax, the Health Insurance Tax (HIT), the medical device tax, and tax rules related to over-the-counter medications.**
- (2) In the past, relief from the Cadillac tax, the HIT, and the device tax have advanced simultaneously. Employers feel strongly that **these taxes should remain on the same track, and**

be dealt with in the same package. Taking action on only one or two, but not all three, would send a clear signal to employers that they should prepare for the Cadillac tax to take effect in 2020.

Right now, employers are getting ready for the 2020 plan year. They are negotiating with vendors, building out networks with their carriers, contracting with health care systems for value-driven care, and working out multi-year collective bargaining agreements with labor unions. All of these activities will be significantly impacted if the Cadillac tax is not delayed.

The Cadillac tax has been widely opposed by both Democrats and Republicans along with a wide coalition of business, health, labor, and consumer organizations, non-profit organizations such as churches, as well as state and local governments. More than 218 members of the U.S. House of Representatives have cosponsored legislation to repeal this burdensome tax. While providing relief from ACA taxes is extremely important this year, we implore you not to leave the Cadillac tax behind. We look forward to working with you to enact ACA tax relief this year.

Sincerely,

American Benefits Council
American Rental Association
American Staffing Association
American Supply Association
America's Health Insurance Plans
Associated General Contractors
Auto Care Association
College and University Professional Association for Human Resources
Council for Affordable Health Coverage
Council of Insurance Agents and Brokers
Employers Council on Flexible Compensation
Food Marketing Institute
HR Policy Association
Immune Deficiency Foundation
Independent Insurance Agents and Brokers of America
International Franchise Association
National Alliance of Healthcare Purchaser Coalitions
National Association of Health Underwriters
National Association of Insurance and Financial Advisors
National Association of Professional Employer Organizations
National Association of Wholesaler-Distributors
National Business Group on Health
National Club Association
National Council of Chain Restaurants
National Retail Federation
Outdoor Amusement Business Association, Inc.
Retail Industry Leaders Association
Self-Insurance Institute of America, Inc.
Small Business & Entrepreneurship Council
Society for Human Resource Management
Society of American Florists
Society of Professional Benefit Administrators
The ERISA Industry Committee
U.S. Chamber of Commerce
Western Growers Association
World at Work