



ERIC The ERISA Industry Committee

The Only National Association Advocating Solely for the Employee Benefit and Compensation Interests of America's Largest Employers

1400 L Street, NW, Suite 350, Washington, DC 20005 • (202) 789-1400 • www.eric.org

James P. Gelfand, Senior Vice President, Health Policy

January 5, 2017

The Honorable Dean Heller
324 Hart Senate Building
Washington, DC 20510

The Honorable Martin Heinrich
303 Hart Senate Building
Washington, DC 20510

The Honorable Mike Kelly
1707 Longworth House Building
Washington, DC 20515

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

Dear Senators Heller and Heinrich, Representatives Kelly and Courtney,

On behalf of The ERISA Industry Committee (ERIC), thank you for introducing the “Middle Class Health Benefits Tax Repeal Act of 2017.” This legislation would eliminate the devastating 40 percent excise tax on health benefits imposed by the Affordable Care Act, commonly referred to as the “Cadillac tax.” ERIC is committed to repealing the Cadillac tax not only because of the crushing financial burden it would place on employers and employees, but also because compliance with the tax would be a time-consuming and expensive administrative burden. Employers would welcome the relief provided by this bill, and we fully support its passage.

ERIC is the only national association that advocates exclusively for large employers on health, retirement, and compensation public policies at the federal, state, and local levels. We advocate for policies that empower employers to offer quality benefits to working families, and help control the costs of health insurance and health care services. The Cadillac tax would accomplish the opposite of these goals, instead making health insurance worse for employees and increasing costs.

Although the Affordable Care Act succeeded in increasing health insurance coverage, the law has not achieved the objective of reducing the unsustainable rise in health care costs. ERIC members continue to innovate new ways to improve health care quality while controlling costs, but there is a limit to the success that can be achieved in this manner. Adding an additional 40 percent tax on top of the ever-increasing cost of health care would be a significant, and perhaps insurmountable, new burden.

Aside from the deleterious effect of the financial loss to employers and employees, discerning the proper valuation of all the complex factors that are part of a comprehensive employer-sponsored health benefit would be extremely challenging. This would lead to a significant amount of time, effort, and money being spent on tax compliance – rather than on improving benefits for working families.

Taxing employer-sponsored health insurance benefits would inevitably lead to worse health insurance for those who are offered plans, and more employers declining to offer health benefits. Employers are innovating and improving the health care system, and designing benefits that get costs under control. Changes to the health care system should seek to build on the success of the employer-sponsored system, and should not punish the part of the system that truly works.

We applaud your efforts, and look forward to working with you to pass this bill into law. Thank you for your leadership on this critical issue.

Sincerely,

James P. Gelfand
Senior Vice President, Health Policy