

Congress of the United States
Washington, DC 20515

November 17, 2015

President Barack Obama
The White House
1600 Pennsylvania Ave NW
Washington, DC 20500

Dear President Obama:

As leaders in the effort to repeal the Affordable Care Act's 40 percent excise tax on high cost health insurance plans, we urge you to work with us to eliminate this tax. Finding a path forward on the repeal of this provision is a bipartisan and bicameral end-of-year priority for each of us and a large number of our colleagues on both sides of the aisle. As we continue to negotiate the repeal of this tax in pending, must-pass legislative packages in Congress, we respectfully request a meeting with you to discuss a plan to eliminate this tax.

As you are aware, the Affordable Care Act includes a provision imposing a 40 percent nondeductible excise tax, also known as the "Cadillac Tax," on health plans with a value that exceed \$10,200 in coverage for singles and \$27,500 for families. This tax poses a serious threat to millions of Americans with employer-sponsored health insurance plans.

Although the tax does not go into effect until 2018, both public and private employers are already beginning to alter their benefit packages in preparation for the tax. In order to avoid hitting the tax, employers are raising deductibles and increasing other out-of-pocket expenses for beneficiaries. This provision and its impact on American workers is not acceptable.

To make matters worse, the thresholds for this 40 percent excise tax are designed to increase with general inflation over time. However, as history has made clear, health care costs – otherwise known as medical inflation – grow at a much faster rate than the general rate of inflation. With this tax, health care costs will continue to rise faster than general inflation as the quality of coverage declines. Reducing the quality of health benefits provided to workers will do little to slow spending, but will instead shift spending directly to workers out-of-pocket costs, rather than control actual medical inflation.


Many economic models support the claim that revenue projections from this tax have disregarded studies demonstrating employer behavior, and premium price influencing factors such as geography. For example, actuarial firm Milliman found that benefit levels are the smallest contributor to premiums, accounting for only 6.2% of a plan's premium growth, which geography accounts for 69.3%. In addition, an August 2015 Kaiser study also found that when FSAs are included in the calculation with premiums, up to 26% of employer-sponsored plans will hit the threshold in 2018, 30% in 2023, and 42% by 2028.

Further, according to August 2015 reports released by the Congressional Research Service, estimates suggest that if permitted to go into effect, the Cadillac tax could lead to overall decline in the quality of health services. The report also found that in some instances, employers will retain plans that hit the thresholds and pass the tax on to workers in the form of lower wages.

If we do not act to eliminate this harmful tax, it is inevitable that more health plans will become subject to this tax each year, and middle class workers will be stuck with higher out-of-pocket costs, or lower quality healthcare. Hardworking Americans should not have to make serious medical decisions based on the implications of this tax.

We welcome your Administration's assistance in working together on this targeted but important adjustment to the Affordable Care Act. To this end, we ask that you commit to working with us and the bipartisan and bicameral coalition we represent to address the importance of repealing this tax and reducing the burden on working Americans. In addition, we request the opportunity to meet with you to discuss repeal of the tax, as soon as possible. We look forward to hearing back from you with potential opportunities to discuss this issue in person by December 1, 2015.


Sincerely,



Dean Heller
U.S. Senator

Sherrod Brown
U.S. Senator

Martin Heinrich
U.S. Senator



Joe Courtney
U.S. Representative



Frank Guinta
U.S. Representative

CC: Secretary Burwell, U.S. Department of Health and Human Services
Secretary Perez, U.S. Department of Labor
Secretary Lew, U.S. Department of Treasury
Commissioner Koskinen, Internal Revenue Service