

November 20, 2019

TO THE MEMBERS OF THE UNITED STATES CONGRESS:

The U.S. Chamber of Commerce, Business Roundtable, and the National Association of Manufacturers appreciate Congress's past enactment of bipartisan legislation that delivered relief to businesses by suspending three taxes originally enacted as part of the Affordable Care Act (ACA). The Health Insurance Tax (HIT), the Medical Device Tax (MDT), and the so-called "Cadillac Tax" hurt Americans by contributing to rising health costs and undermine employer-sponsored health care coverage. Now, American workers and businesses are facing the return of some of these taxes. We urge you to fully repeal these taxes, or at least further delay them for an extended period, before Congress adjourns this year.

As organizations whose members employ millions of hard-working Americans, we continue to champion the invaluable benefits that the employer-sponsored health care system provides to both employees and employers. Failure to fully repeal or delay these taxes threatens the health coverage and benefits of the more than 180 million Americans who currently rely on benefits offered by their employers.

### Cadillac Tax

America's job creators offer robust health benefits to employees, but the looming Cadillac Tax creates the risk of benefit cuts or higher worker health costs in the form of higher deductibles or co-pays. The Cadillac Tax jeopardizes employers' ability to provide robust health benefits because every dollar in employer-provided health benefits above the ACA's threshold will incur a 40% excise tax on the employer. Because employers are already planning their health benefit offerings for 2021, the Cadillac Tax's imposition in 2022 is affecting employers' health benefit offerings and decisions now. Its imposition also looms over employers' negotiations with unions on multi-year labor contracts.

In addition, the Cadillac Tax's inclusion of contributions made towards health savings accounts, health reimbursement arrangements, and flexible spending accounts undermines health reform efforts by discouraging flexible employer plan offerings. It also indirectly drives up out-of-pocket costs for employees in the form of higher payroll taxes, deductibles, and co-pays.

Moreover, because of the Cadillac Tax's indexing, it will eventually affect all health plans and essentially serve as a fine on employers for offering health coverage to their employees. Because annual increases in the limit are tied to general inflation using the consumer

price index, the tax neglects to account for the pace of rising medical costs, effectively penalizing employers and their employees for economic forces beyond their control.

Both the House and Senate understand the negative effects of the Cadillac Tax and have supported repealing it. The House overwhelmingly voted 419-6 in favor of repeal in July of this year and S. 684, the Senate bill to repeal this tax, currently has 63 bipartisan cosponsors.

### Medical Device Tax (MDT)

The 2.3% tax on the sale of virtually all medical devices would result in increased health care costs, undercutting one of the primary goals of health care reform efforts. From routine preventative services, to advanced diagnostic technology, to emergency medical equipment essential for first-responders, medical devices are a ubiquitous component of the care continuum. Structured to act as an [ad valorem tax](#), the MDT jeopardizes the progress Americans have made to achieve outcomes-based care delivery by discouraging greater use of precision medicine. Furthermore, by driving up the cost of medical technology, this estimated \$20 billion tax increase would undermine America's global leadership in product innovation, clinical research, and patient care.

The MDT's harmful impact on jobs is clear; an analysis of U.S. Commerce Department data found that the medical technology industry lost 29,000 jobs from 2013-2015 when the tax was in effect. By contrast, if the MDT is repealed, it is estimated that over 53,000 jobs would be regained or preserved compared to what would occur if the tax returns. This industry supports two million jobs nationwide and is expected to grow to over \$200 billion by 2023. An industry [survey](#) conducted by the Medical Device Manufacturers Association found 72% of firms "slowed or halted job creation" to pay for the tax, and "80% would increase R&D investments in the cures and therapies," if the tax were eliminated. Full repeal of the MDT would provide critical long-term relief to the medical technology industry and would spur the innovation necessary to find next generation treatments that Americans deserve.

### Health Insurance Tax (HIT)

We oppose the HIT because it would increase the cost of health coverage for millions of Americans. According to one [recent study](#) by Oliver Wyman, imposing the HIT in 2020 would increase annual premiums in the small group market by an average of \$479.00 per family; in addition, seniors enrolled in Medicare Advantage may have faced a 55.7% increase in national average Medicare Advantage premiums had the moratorium not been in place for 2019. Permanently repealing the HIT would provide critical and timely relief for many struggling to afford health insurance premiums in the fully insured marketplace.

Furthermore, the HIT would levy an estimated [\\$16 billion fee](#) on insurers, who will pass along the tax to families and small businesses through higher premiums and out-of-pocket costs. In short, the HIT's significant harm extends well beyond those in the individual market, increasing premiums for small business owners, employees, and senior citizens covered under Medicare Advantage as well as Medicare Part D prescription drug coverage.

## Conclusion

The U.S. Chamber of Chamber, Business Roundtable, and the National Association of Manufacturers firmly believe that greater innovations in employer-sponsored coverage will continue to reduce costs, expand access, and improve the quality of care that hard-working Americans deserve. We urge you to repeal, or at least delay for an extended period, these three harmful taxes – Cadillac, HIT, and medical device – that raise health costs for employees and employers. We look forward to working with you to support health care reform efforts that lower costs, improve quality, expand access to health care, and protect American jobs.

Sincerely,

U.S. Chamber of Commerce

Business Roundtable

National Association of Manufacturers