



Statement of the U.S. Chamber of Commerce

ON: "The Tax Treatment of Health Care"

TO: *The House Ways and Means Committee*

FROM: *Randel K. Johnson, Senior Vice President
Labor, Immigration, & Employee Benefits,
U.S. Chamber of Commerce*

DATE: *April 28, 2016*

The Chamber's mission is to advance human progress through an economic, political and social system based on individual freedom, incentive, initiative, opportunity and responsibility.

The U.S. Chamber of Commerce is the world's largest business federation representing the interests of more than 3 million businesses of all sizes, sectors, and regions, as well as state and local chambers and industry associations. The Chamber is dedicated to promoting, protecting, and defending America's free enterprise system.

More than 96% of Chamber member companies have fewer than 100 employees, and many of the nation's largest companies are also active members. We are therefore cognizant not only of the challenges facing smaller businesses, but also those facing the business community at large.

Besides representing a cross-section of the American business community with respect to the number of employees, major classifications of American business—e.g., manufacturing, retailing, services, construction, wholesalers, and finance—are represented. The Chamber has membership in all 50 states.

The Chamber's international reach is substantial as well. We believe that global interdependence provides opportunities, not threats. In addition to the American Chambers of Commerce abroad, an increasing number of our members engage in the export and import of both goods and services and have ongoing investment activities. The Chamber favors strengthened international competitiveness and opposes artificial U.S. and foreign barriers to international business.

The U.S. Chamber of Commerce (“Chamber”) welcomes the opportunity to submit this statement for the record following the April 16, 2016, hearing of the House Ways and Means Committee on “The Tax Treatment of Health Care.” The Chamber is the world’s largest business federation representing the interests of more than 3 million businesses of all sizes, sectors, and regions, as well as state and local chambers and industry associations. The Chamber is dedicated to promoting, protecting, and defending America’s free enterprise system.

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The U.S. Chamber of Commerce has long advocated for meaningful health care reform. After convening a cross section of our member companies in 2012, our Health Care Solutions Council articulated a commitment to: “achieving greater value in health care, as measured by more affordable coverage options and greater access to higher-quality, prevention-oriented care, leading to better population health and sustainable U.S. health care costs. By prioritizing efforts to improve the employer-sponsored health system which covers millions of Americans, we will use these solutions to drive system-wide changes.”

As an organization, we remain committed to preserving and improving the employer-sponsored system where in 2014 over 175 million Americans received their health care coverage.¹ The employer-sponsored health care system is not only where the majority of Americans receive private health care coverage, but it is also where innovation in benefit and plan design are advancing, where chronic disease management and population health efforts are improving productivity and wellbeing, and where unnecessary health care costs are being reduced. Further, recent surveys show that this benefit remains paramount to employees. Millions of Americans like the plans that they have through the employer-sponsored system.

- Eighty-eight percent of workers report that employment-based health insurance is extremely or very important, far more than for any other workplace benefit.²
- More than one in five workers report accepting, quitting or changing jobs because of the benefits, other than salary or wage level, that an employer offered or failed to offer.³
- Eighty-five percent of workers take the health insurance coverage they are offered through their employer.⁴

¹ <http://www.census.gov/content/dam/Census/library/publications/2015/demo/p60-253.pdf> Table 1, page 5, 2014 column.

² Views on the Value of Voluntary Workplace Benefits from the 2015 Health and Voluntary Workplace Benefits Survey, Employee Benefits Research Institute, November 2015 Volume 36, No. 11, page 3

³ Ibid

⁴ Ibid, page 7

Beyond being the coverage of choice, there are many ways that employer-sponsored coverage benefits employees and employers.

- Economies of scale allow for lower premiums and costs when purchasing coverage as a group because administrative costs are lower.
- Employers spend less money paying for health coverage than the federal government. An American Health Policy Institute study found that employers spent \$3,430 on health care per person in 2012; government programs spent \$9,130.
- On average, employer-sponsored coverage costs less than coverage on the exchange. The cost of health plans in the individual market surged past those for employer-based plans in 2015. Monthly costs per covered member in the individual market reached an average of nearly \$500 in October 2015 compared to \$460 monthly for employer-based plans, according to data from S&P Dow Jones Indices. A year earlier, by contrast, the average employer-based plan was nearly 6 percent more expensive than the average individual plan.⁵
- Job satisfaction and worker morale are strongly correlated with benefits satisfaction – more than 54 percent of those who are extremely satisfied with their benefits are also extremely satisfied with their current job.⁶

As you evaluate health care reform alternatives, we wish to emphasize three important messages regarding the importance of employer-sponsored health care system. First, over **175 million** Americans are enrolled in employer-sponsored coverage. A recently released report from the Employee Benefit Research Institute says this number has grown. We urge you to protect ERISA and employer-sponsored coverage.

Second, we urge you to repeal the Affordable Care Act's (ACA) 40% excise tax on high-cost plans and preserve the longstanding tax treatment of employer-sponsored coverage for employers and employees alike. There is no direct evidence that changing the tax treatment of these benefits will result in savings. Instead, a change in the tax treatment of employer-sponsored benefits is likely to have an adverse effect, especially on those employers who have an older workforce, or a workforce with employees and family members who have chronic illnesses, or employees who live in high - cost areas of the country. Additionally, the political challenge of replacing the ACA will not be eased by creating a de facto tax increase for many employees.

Finally, we believe that greater innovations in employer-sponsored coverage may continue to help to reduce health care spending. Employers are adopting new strategies to improve the delivery of health care and are empowering employees and their families with more tools to help them avoid chronic illnesses that can be prevented. Some are providing employees with on-site or access to mobile or nearby clinics to receive routine screening services, while others are driving greater performance in their provider networks – all advancements that we believe improve each and every community where employees live. Employers have crafted workplace wellness, disease management, and care coordination programs to improve the health of their employees. These

⁵ <http://www.pnhp.org/news/2016/april/costs-in-individual-insurance-market-skyrocketing>

⁶ Views on the Value of Voluntary Workplace Benefits from the 2015 Health and Voluntary Workplace Benefits Survey, Employee Benefits Research Institute, November 2015 Volume 36, No. 11

programs offer another way to advance our country's evolving health care approach beyond simply treating diseases and caring for the sick to improving health and maintaining wellness. These workplace wellness programs give people tools to identify their risk factors, improve their health, modify unhealthy behavior and stay well both in the workplace and at home.

We support your efforts to strengthen the individual market where many people buy health care coverage, but not at the expense of the employer system that is highly valued by the majority of Americans who receive their health coverage through employers today. Any forthcoming health care reforms must take into consideration the vital role of the employer-sponsored system in facilitating the innovation and creativity that is happening in the private sector offering of health care coverage. As the foundation of our health care system, we support flexibility for our nation's employers as they continue their commitment to providing innovative, sustainable and high-value care for all Americans.

The Chamber thanks you for taking the time to hold this important hearing on the tax treatment of health care. We look forward to working with you as you continue to examine this important issue. Please do not hesitate to contact us if we may be of assistance in this matter.

A handwritten signature in black ink, appearing to read 'Randel Johnson', with a stylized flourish at the end.

Randel Johnson
Senior Vice President
Labor, Immigration & Employee Benefits
U.S. Chamber of Commerce