

United States Senate

WASHINGTON, DC 20510

January 14, 2010

The Honorable Harry Reid
Majority Leader
U.S. Senate
S-221, U.S. Capitol
Washington, D.C. 20510

The Honorable Nancy Pelosi
Speaker
U.S. House of Representatives
H-232, U.S. Capitol
Washington, D.C. 20515

Dear Speaker Pelosi and Majority Leader Reid:

As you negotiate a compromise on the House and Senate versions of health care reform legislation, we strongly urge you to eliminate the excise tax on higher-cost health plans in the “Patient Protection and Affordable Care Act” passed by the Senate.

Beginning in 2013, this legislation would impose an excise tax of 40 percent on insurance companies and plan administrators on the amount of any health benefit plan above thresholds of \$8,500 for singles and \$23,000 for family plans. In subsequent years, increases in the benefit thresholds will be tied to the Consumer Price Index plus one percentage point, meaning that more and more workers and employers will be affected. In fact, the Congressional Budget Office (CBO) estimates that, by 2016, this benefits tax would affect 19 percent of workers with employer-provided health coverage, and the Joint Committee on Taxation (JCT) estimates that one third of employer based family plans would be affected by 2019.

The excise tax included in the Senate bill places a disproportionate burden on employees of small businesses, as well as workplaces with older employees and those with greater medical needs. A careful analysis reveals that it is the size and age of the workforce that primarily determines the cost of health plans – not the generosity of benefits. Studies show that smaller firms pay nearly 20 percent more than larger firms for the same quality of coverage.

As a result of this proposed tax, there will be severe and unintended consequences for middle income Americans who have forgone salary and wage increases in return for better health benefits. Health plans and insurance companies are likely to pass on the cost of this tax to their customers – forcing employers and employees to cut or limit coverage.

Given the current economic hardships facing middle class America, Congress should not implement a tax that could create additional burdens on working families – particularly those relying on comprehensive coverage to cover the costs of serious illness. Health reform legislation should not encourage the elimination of existing health benefits. Rather, it should ensure that Americans who have negotiated good health benefits – including dental and vision coverage – are able to keep those benefits without punishment.

Both Houses of Congress face the difficult challenge of finding the best way to pay for comprehensive health care reform and reduce the growth of costs in the future. However, despite claims that this tax will “bend the cost curve,” the Commonwealth Fund recently found

that "there is little empirical evidence that such a tax would have a substantial effect on health care spending." In fact, because this tax would also affect many innovative health plans that invest in fitness and other wellness programs, this tax may actually squander future health savings.

Limiting health benefits is not the answer to controlling health care costs; ensuring the right care, in the right settings, at the right time, is. While many provisions contained within the House and Senate health reform bills would improve health care and health coverage, a tax on health benefits is not one of them. It is our hope that you will eliminate the excise tax provision, which would take our health care system in the opposite direction.

Thank you for your attention to this request.

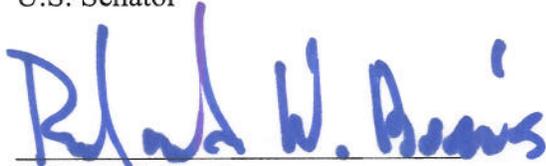
Sincerely,



Sherrod Brown
U.S. Senator



Bernard Sanders
U.S. Senator



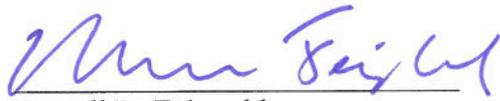
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U.S. Senator



Kirsten E. Gillibrand
U.S. Senator



Al Franken
U.S. Senator



Russell D. Feingold
U.S. Senator



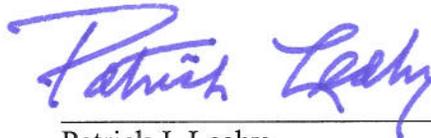
Daniel K. Akaka
U.S. Senator



Debbie Stabenow
U.S. Senator



Barbara A. Mikulski
U.S. Senator



Patrick J. Leahy
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Jeffrey A. Merkley

Jeff Merkley
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Byron L. Dorgan
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Jeanne Shaheen
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Barbara Boxer
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Jack Reed
U.S. Senator

Tim Johnson

Tim Johnson
U.S. Senator

Frank R. Lautenberg

Frank R. Lautenberg
U.S. Senator

Tom Udall

Tom Udall
U.S. Senator