

NATIONAL COORDINATING COMMITTEE FOR MULTIEMPLOYER PLANS

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March 1, 2017

The Honorable Kevin Brady
Chairman
Committee on Ways & Means
United States House of Representatives
Washington, D.C. 20515

The Honorable Richard Neal
Ranking Member
Committee on Ways & Means
United States House of Representatives
Washington, D.C. 20515

Dear Chairman Brady and Ranking Member Neal:

I am writing to you in my capacity as Chairman of the National Coordinating Committee for Multiemployer Plans ("NCCMP") to express grave concern on behalf of the employer and labor sponsors of multiemployer health plans to recent proposals to replace the so called "Cadillac Tax" under the Affordable Care Act ("ACA") with a cap on the exclusion for employer-sponsored health coverage. The NCCMP also opposes the Cadillac Tax in its current form. Either form of tax will impose a significant burden on the 177 million Americans who receive health care through employment-based health plans, as well as on the employers who contribute to those plans to provide health care for their employees.

The NCCMP is the only national organization devoted exclusively to protecting the interests of the over 20 million active and retired American workers and their families who rely on multiemployer plans for retirement, health and other benefits. The NCCMP's purpose is to assure an environment in which multiemployer plans can continue their vital role in providing benefits to working men and women. The NCCMP is a nonprofit, non-partisan organization with members, plans, and contributing employers in every major segment of the economy, including airlines, agriculture, building and construction, bakery and confectionery, entertainment, health care, hospitality, longshore, manufacturing, mining, retail and wholesale food, service, sports, steel, and trucking industries. Multiemployer plans are jointly trusted by management and employee trustees.

NCCMP and its members share the concern of policy makers with growing medical cost inflation. For several decades, multiemployer plans have been innovators in cost containment and efficient delivery of health benefits. There have been strong incentives on the part of employers and employees to pursue these goals. Our industries recognize that comprehensive health care benefits entire industries and enhances productivity, as well as quality of life. Quality health care is an investment in employees and not simply a benefit. At the same time, both employers and employees have recognized that the cost of health care cannot become so great that it makes employers non-competitive. There is, then, a balance to be maintained between offering quality health care to attract and retain the best employees who will enhance employers' productivity and keeping the cost of that health care reasonable so that employers remain competitive. Our member's plans and the participating employers with their partner unions have become extremely adept at striking this balance.

Since at least 1954, employer sponsored accident and health coverage has been excluded from the gross income of employees. While I appreciate the Congressional Budget Office (CBO) analysis that the employer-sponsored insurance exclusion represented a \$266 billion tax expenditure in 2016, and that this represents a tempting pot of money, proposals to tax employer-sponsored insurance would represent a massive new tax on the 177 million Americans who receive their health insurance through their employers. The financial and operational burden would also be felt by employers from increased taxes, as well as the massive federal interference that this proposal would have on the employer-employee relationship.

The proposed cap on employer-sponsored insurance was endorsed in A Better Way, Our Vision For A Confident America that was released on June 22, 2016. The foundation of this proposal seems to be based on a false understanding of the root causes of today's health care costs and economic theories on healthcare behavior devoid of any relationship to the market for U.S. health care or an understanding of the incentives in the employer-employee relationship.

For example, A Better Way repeats CBO's claims that employer-sponsored insurance "increases average premiums for employer-based coverage 10 to 15 percent above what it would have been without the benefit because "the open-ended nature of the subsidy gives employers and employees an incentive to select more extensive coverage than they otherwise would."¹ In the real world, the vast majority of private plan sponsors have imposed cost containment strategies for decades to manage finite benefit dollars. They do so to stretch employer contributions as far as possible to maximize total compensation to employees, which includes wages, health and welfare benefits, and retirement benefits. The truth is that the health care costs that the private sector faces are directly, and negatively, impacted by the U.S. Government through its own health care programs, statutes, and regulatory requirements.

As the largest provider and purchaser of health care in the U.S. through Medicare and Medicaid, programs that collectively spend more than \$1.4 trillion dollars (inclusive of the State's Medicaid responsibilities) annually, the U.S. Government's longstanding policy of significantly under-compensating health care providers to Medicare and Medicaid for their services results in these same health care providers charging more to their private sector clients in order to recoup their uncompensated federal expenses. The private sector subsidizes Medicare, Medicaid, and the U.S. Government by absorbing these uncompensated expenses through higher costs and premiums.

These higher costs are before we even address the costs that the government has imposed on insurers, prior to (e.g., Emergency Medical Treatment & Labor Act) and including the ACA, which are passed on to the private sector, through its various taxes, coverage mandates, risk rating restrictions, administrative requirements, and regulations.

The simple fact is that the high costs of private sector health care and medical inflation are principally driven by the actions of the U.S. Government, not by the private sector and employer-sponsored health care.

A Better Way suggests that "unleashing the power of choice and competition is the best way to lower health care costs and improve quality" and that "consumer-directed health care", through expanded Health Savings Accounts (HSA's) and high-deductible health plans will help "patients understand the true

¹ A Better Way, Our Vision For A Confident America, Health Care, House Republicans, https://abetterway.speaker.gov/_assets/pdf/ABetterWay-HealthCare-PolicyPaper.pdf, Page 15.

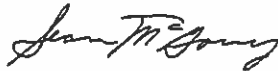
cost of care, allows them to decide how much to spend, and provides them with the freedom to seek treatment at a place of their choosing.”² These statements and the product preference expressed suggests that the U.S. Government knows better than the considered decisions of employers and employees in their selection of health care coverage. It also ignores the significant differences between shopping for Pop Tarts, Tide, computers, and cars, and that of shopping for health care, which is often done during compressed and urgent time periods and without full information on the specific diagnosis, treatment options, potential complications, skill levels, quality, and costs that will impact the actual final costs of any treatment.

Replacing the Cadillac Tax with an almost identical tax on health benefits provided through an employment-based plan fails all who have health coverage at work. In 2015, Congress voted on a bipartisan basis to delay the Cadillac Tax until 2020. The Budget Reconciliation bill passed by Republican majorities in the last Congress but vetoed by President Obama repealed the Cadillac Tax altogether. To have Republican majorities place a new tax on employee health benefits betrays the expectations and hopes of employers, American workers and their families counting on this Congress to make health insurance better--not worse.

While we are supportive of reforming the healthcare system, we urge you not to do so in ways that will predictably and negatively impact 20% of the U.S. economy, the 177 million Americans who receive their health care through employment, and the job creating employers of America.

The NCCMP is prepared to work with Congress and its Committees to explore ways to make quality, cost effective health care available to all Americans. If you have any questions, please contact NCCMP Executive Director Michael Scott at 202-756-4679.

Sincerely,



Sean McGarvey
Chairman

cc: The Honorable Paul Ryan
The Honorable Nancy Pelosi
The Honorable Mitch McConnell
The Honorable Chuck Schumer
Members of the United States Senate
Members of the United States House of Representatives

² Ibid, 13.