



May 23, 2017

The Honorable Orrin G. Hatch
Chairman
Committee on Finance
United States Senate
Washington, DC 20510-6200

Dear Chairman Hatch:

The National Business Group on Health (NBGH) is grateful for the opportunity to respond to your request for comments and recommendations as the Senate Finance Committee considers its draft of the American Health Care Act of 2017. The nation's employers provide stable health benefits that more than 177 million Americans value and rely upon—the largest source of health coverage in the country. **As the Senate drafts its legislation, we strongly urge you to maintain this efficient and effective source of health coverage by repealing the 40% excise tax on health benefits, or at a minimum delaying it to 2026, and protecting the longstanding tax treatment of employer-sponsored coverage.**

According to our NBGH 2017 Employers' Health Plan Design Survey, absent plan changes, 53% of companies will have at least one plan that triggers the excise tax in 2020 and 73% will in 2022. In a few short years, if the tax is not delayed or repealed, the tax will affect nearly 100% of all employer plans and the employees covered by them, because of the flawed indexing. Legislation that would cap the individual tax exclusion for employer-provided health benefits would be a direct tax increase on middle-class Americans and on the businesses Americans are counting on to create jobs. Congress now has the opportunity to repeal a bad policy in the ACA's excise tax and, at the same time, reaffirm the value that the current tax exclusion of employer-provided health benefits provides to millions of working Americans and their families.

Not only would taxing health benefits harm American workers and businesses, it could also weaken the ability of employer plans to continue to be a leading force in driving innovations in health care delivery reform, consumer-driven health benefits, employee well-being, and new tools to help employees navigate among health care options and providers for needed care. **Given that much of what drives up health care costs is not driven or controlled by demand-side factors such as health benefits, we believe that taxing them does not make good policy. Rather, focusing on reducing or eliminating supply-side drivers of unnecessary and wasteful health spending and continuing the transformation to more effective and efficient health care payment and delivery would best advance our shared goals of better care at lower cost.**

As you consider other issues in your draft legislation, we also support enhancements to consumer-driven health accounts as well as the additional enhancements you have recently proposed (S. 403) and reductions in the administrative reporting burdens imposed on employer plans by the ACA. Health accounts and account-based plans encourage people to be prudent, engaged health care consumers and the proposed enhancements would make it easier for them to save more for current and future health care expenses and make it easier for employees to use. Efforts to simplify the reporting of employee coverage by employers, for the purpose of determining eligibility for tax credits for those without an offer of employer coverage, would be most welcome by employers who currently face several additional layers of complicated reporting and notice requirements under the ACA.

The National Business Group on Health, representing 416, primarily large, employers (including 70 of the Fortune 100) who voluntarily provide valued health benefits and other health programs to over 55 million American employees, retirees, and their families, looks forward to working with you on our shared goals for health care: lower costs, improved access, and higher quality. Please contact Steven Wojcik, the National Business Group on Health's Vice President of Public Policy, at (202) 558-3012, if you would like to discuss our comments in more detail or if we can provide additional information as the Committee considers this legislation further.

Sincerely,

A handwritten signature in black ink that reads "Brian J. Marcotte". The signature is fluid and cursive, with a long horizontal stroke at the end.

Brian J. Marcotte
President and CEO