



July 15, 2019

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

The Honorable Kevin McCarthy
Minority Leader
U.S. House of Representatives
H-204, The Capitol
Washington, DC 20515

Dear Speaker Pelosi and Leader McCarthy:

The National Association of Health Underwriters (NAHU) endorses the passage of H.R. 748, a repeal of the 40% excise tax on certain employer-sponsored health insurance plans, known as the “Cadillac Tax.” NAHU represents 100,000 licensed agents and brokers who are engaged in the sale and service of health insurance and other ancillary products. NAHU members serve employers and consumers around the country. Our members work to help millions of employers of all sizes finance, administer and utilize their group health benefit plans on a daily basis, and they know firsthand how the 40% excise tax on health benefits will hurt middle-class consumers.

H.R. 748 has received bipartisan support with 361 co-sponsors with a majority of each party caucus supporting repeal of the Cadillac Tax. The Cadillac Tax, set to go into effect in 2022, will impose a 40% excise tax on health plans that exceed certain cost thresholds beginning in 2022. Specifically, the law calls for a 40% excise tax on the amount of the aggregate monthly premium of each primary insured individual that exceeds the year’s applicable dollar limit, which will be adjusted annually to the Consumer Price Index plus one percent. The current threshold for when the tax applies is set to \$11,100 for individual coverage and \$29,750 for “other than self-only” coverage. Because of the wide-ranging benefits that can be counted towards the tax, including HSAs, HRAs, FSAs and other cost-containment measures, many employers will find their plans exceeding these thresholds when the tax takes effect. While designed as a disincentive for employers offering the most benefit-rich plans, in reality the tax will impact a majority of plans, including those that aren’t benefit-rich and were not the intended targets of this provision.

All employers could be subjected to this tax, with various factors determining the likelihood of a plan’s costs exceeding the threshold. These include family size, state benefit mandates, high-cost geography, age, health status, the size of the employer and other factors. In addition to paying the tax, employers will be forced to handle onerous compliance requirements on a monthly basis to record and pay the tax to insurers. In turn, insurers will be required to treat the tax as revenue and will be taxed on that amount, which will increase the size of the tax for everyone. Individuals and families who are already struggling to afford existing plan premiums and higher deductibles will also be hit by the tax, further increasing their costs.

We appreciate your consideration on this issue that is important for businesses and their employees so that all families can afford quality healthcare. We look forward to working with you and your colleagues in enacting this bipartisan legislation this year.

Best regards,

Janet Trautwein
Executive Vice President and CEO