



NOVEMBER 21, 2013

TO THE MEMBERS OF THE UNITED STATES CONGRESS:

As Congress takes up tax and budget legislation in the immediate future, the undersigned organizations urge you to stop the new health insurance tax from going into effect on January 1, 2014.

While our organizations believe this onerous, counterproductive tax should ultimately be repealed, as a first step we ask that you co-sponsor H.R. 3367, the Small Business and Family Relief Act, bipartisan legislation introduced by Representative Charles Boustany (R-LA) and Representative Ami Bera (D-CA) to delay the tax for two years.

The new health insurance tax will make health care more expensive, not more affordable. Starting in January, health insurance companies must pay the new tax on the coverage they provide to individuals, families, small and mid-size employers, beneficiaries in Medicare Advantage and state Medicaid managed care programs. The tax starts at \$8 billion in 2014 and increases to \$11.3 billion in 2015.

Experts agree that the new health insurance tax will make health care less affordable. In 2009, the head of the Congressional Budget Office said that the health insurance tax will be “largely passed through to consumers in the form of higher premiums.” According to an Oliver Wyman study, the tax will raise the cost of small group family coverage by \$360 next year alone, and a staggering \$6,830 over the next decade. Allowing the tax to start as scheduled means that employer-sponsored family health plans will be even more expensive for small businesses and their employees.

The Oliver Wyman study also found that in 2014 seniors who are covered by a Medicare Advantage plan will face \$220 in higher costs and reduced benefits. State Medicaid managed care programs, which serve the most vulnerable Americans, will see costs rise by \$80 per beneficiary.

With the economy still struggling to recover, small businesses, middle-class families and public program enrollees are not in a position to bear the burden of this tax.

While most of the Affordable Care Act has already been implemented, the health insurance tax will not go into effect until January 1, 2014. Congress still has time to protect consumers from higher health care costs in January by delaying the health insurance tax for two years as a first step toward repealing it. Because health insurance premiums from the previous year are used to calculate the cost of coverage for the current year, a two-year delay of the tax means that small businesses, families and public program beneficiaries would be shielded from the cost of the tax for all of 2014 and 2015.

The tens of thousands of small and midsize employers we work with everyday simply cannot afford this big new tax next year. The new health insurance tax goes into effect in just two and half months – the time to act is now.

Sincerely,

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U.S. Chamber of Commerce

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America's Health Insurance Plans

Neil Trautwein  
National Retail Federation

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