September 30, 2015

Dear Senators Heller and Heinrich:

On behalf of the Society for Human Resource Management (SHRM) and our 275,000 members, I am writing in strong support of S. 2045, the Middle Class Health Benefits Tax Repeal Act of 2015, which would repeal the 40 percent excise tax imposed on high-value, employer-sponsored health care benefits. SHRM greatly appreciates your leadership on this important issue and looks forward to supporting this legislation as it moves through Congress.

As you know, the non-deductible excise tax is effective January 1, 2018, and applies to benefits exceeding certain thresholds ($10,200 for individual coverage and $27,500 for family coverage), excluding stand-alone dental and vision plans and are indexed to the Consumer Price Index, not health care cost inflation. Because of how the tax is structured, many employers are expected to be subject to the 40 percent excise tax in 2018, including 33 percent of SHRM members’ organizations.

While the excise tax is not effective until 2018, HR professionals and their organizations are already restructuring their health care benefit offerings or increasing workers' deductibles and copays to avoid the tax. Although the impending tax is intended to target excessively generous health plans, it is also impacting ordinary plans. In fact, in anticipation of the tax, 21 percent of SHRM members expect to decrease their health benefits offerings and 7 percent indicated a reduction in non-health benefits for 2015. As 2018 approaches, employers will further scrutinize their health benefit offerings and will make necessary changes to avoid the excise tax. As a result, some employees will be negatively impacted due to an increase in cost sharing, higher copays and deductibles and could even cause some to decline employer-provided health care.

SHRM believes that effective health care reform should expand access and affordable coverage. Furthermore, organizations should not have to change their benefit offerings nor should families have to pay more out-of-pocket health care costs in order to afford the required changes to comply with the Affordable Care Act. As such, SHRM strongly supports S. 2045.

Thank you again for sponsoring this legislation, and we look forward to working with you to advance this bill during the 114th Congress.

Sincerely,

Michael P. Aitken
Vice President, Government Affairs

CC: U.S. Senate Finance Committee