

October 1, 2015

The Honorable Orrin G. Hatch
Chairman
Committee on Finance
United States Senate

The Honorable Ron Wyden
Ranking Member
Committee on Finance
United States Senate

The Honorable Paul D. Ryan
Chairman
Committee on Ways and Means
U.S. House of Representatives

The Honorable Sander M. Levin
Ranking Member
Committee on Ways and Means
U.S. House of Representatives

Dear Chairman Hatch, Senator Wyden, Chairman Ryan, and Congressman Levin:

For decades economists and health policy experts of all political persuasions have agreed that the unlimited exclusion of employer-financed health insurance from income and payroll taxes is economically inefficient and regressive. The Affordable Care Act established an excise tax on high-cost health plans (the so-called ‘Cadillac tax’) to address these issues.

The Cadillac tax will help curtail the growth of private health insurance premiums by encouraging employers to limit the costs of plans to the tax-free amount. The excise tax will discourage the provision of insurance that covers such a large proportion of health care spending that consumers have little incentive to insist on cost-effective care and providers have little incentive to provide it. As employers redesign health insurance plans to hold costs within the tax-free amount, cash wages or other fringe benefits will increase. Furthermore, repealing the Cadillac tax would add directly to the federal budget deficit, an estimated \$91 billion over the next decade according to the Joint Committee on Taxation.

We, the undersigned health economists and policy analysts, hold widely varying views on other provisions of the Affordable Care Act, and we recognize that measures other than the Cadillac tax could have been used to restrict the open-ended health insurance tax break.

But, we unite in urging Congress to take no action to weaken, delay, or reduce the Cadillac tax until and unless it enacts an alternative tax change that would more effectively curtail cost growth.

Sincerely,

Henry Aaron
Jason Abaluck
David Albouy
Joseph Antos
Alan Auerbach
Nikhil Agarwal
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