

October 6, 2017

The Honorable Cory Gardner
United States Senate
354 Russell Senate Office Building
Washington, DC 20510

Dear Senator Gardner:

As organizations representing and providing care for Medicare beneficiaries, we work to best ensure the health and welfare of older Americans. As advocates, we strongly support the extension of the current delay in the Health Insurance Tax (HIT) through 2018, and applaud your leadership in introducing S. 1859, the Healthcare Tax Relief Act. Action on this legislation would provide necessary protection for Medicare Advantage seniors who otherwise could face a major tax hike — as much as \$22 billion¹ — when the HIT returns in 2018, as scheduled.

Access to health care is of paramount importance to American seniors who depend on Medicare for health services, financial security, and peace of mind. This is especially critical to seniors living on fixed incomes, many of whom rely on Medicare Advantage for high-quality care, affordability, simplicity and enhanced benefits.

Medicare Advantage is an important source of coverage for low-income, female, and racial/ethnic minority beneficiaries. Fifty-five percent of Medicare beneficiaries with Medicare Advantage coverage are women, and 40% of Medicare Advantage enrollees live on less than \$20,000 per year. Nationwide, 33% of all Medicare beneficiaries — 19 million — are enrolled in Medicare Advantage plans, including 46% of Hispanic and 35% of African-American Medicare beneficiaries.

These Medicare Advantage beneficiaries will bear a substantial financial burden if Congress allows the HIT to resume in 2018. Of the \$22 billion in increased premiums attributable to the return of the health insurance tax next year, \$4.9 billion — more than 20% — would directly fall on Medicare Advantage beneficiaries.²

America's seniors are increasingly electing Medicare Advantage because it is leading the way in health care that emphasizes prevention, provides access to disease management services for chronic conditions, implements value-based care, offers highly popular enhanced benefits like vision, hearing and dental, fitness programs, nutrition support and services, and coordinated care that better ensures beneficiaries receive the health services they need.

¹ Section 9010 of the Patient Protection and Affordable Care Act (ACA) stipulates that in 2018 the health insurance tax must generate \$14.3 billion in revenue. Actuaries at Oliver Wyman calculate that because the tax on health insurance is non-deductible for federal tax purposes for health insurers, for every dollar in premiums that a health plan must collect to pay the tax, it must also collect another \$0.54 to cover the tax on the higher premium. Given \$1.54 in additional premium must be collected for every \$1.00 in taxes, this would yield a total premium impact in 2018 of as much as \$22.0 billion. [Web](#).

² Carlson, Chris; Giese, Glenn; Armstrong, Steven. "Analysis of the Impacts of the ACA's Tax on Health Insurance in 2018 and Beyond," Oliver Wyman, August 8, 2017, p. 14. [Web](#).

Yet the high-quality services, flexibility, and comprehensive coverage that Medicare Advantage provides could be financially out of reach for millions of seniors if Congress does not take immediate action on your legislation to block the \$22 billion health insurance tax hike scheduled to resume in 2018. Additionally, beneficiaries may face reduced or eliminated services that are of high value to them, such as reduced cost sharing, care in the home, and supplemental benefits.

An [August, 2017 analysis by actuaries at Oliver Wyman](#) quantifies the unsavory realities that the HIT's return could have on Medicare Advantage seniors. In 2018 the typical beneficiary — including those enrolled in Special Needs Plans and Employer Group Waiver Plans — could see an additional \$245 in premiums. Without HIT relief beyond 2018, premium increases for Medicare Advantage beneficiaries could grow to more than \$300 in 2023, and cumulatively could be more than \$3,000 over the next 10 years.³

At a time when American seniors are looking for ways to lower health care costs, the last thing they want or deserve is a multi-billion dollar spike in the cost of health coverage that many simply cannot afford.

Recognizing the HIT's negative impact on consumers, Congress came together nearly two years ago and prudently voted to delay the impact of the HIT for 2017. As a result, the average Medicare Advantage monthly premium is 4% lower this year compared to 2016 when the tax was in effect.⁴

Congress made the right decision by delaying the HIT for 2017, and it is the right decision now heading into 2018. But action must be taken soon.

Delaying the HIT in 2018 is one of the most common sense and direct ways Congress can provide relief for Medicare Advantage seniors and maintain access to quality affordable healthcare. Not only would continuing the delay prevent disruption in health insurance coverage for millions of Americans — including 19 million Medicare Advantage beneficiaries — it will also provide greater stability for providers and the marketplace at large.

Thank you for your leadership on this issue. We look forward to working with you to enact another one-year delay of the HIT through 2018 and preserve access to affordable health coverage for millions of American older adults.

Sincerely,

Area Agency on Aging Palm Beach / Treasure Coast, Inc. (Florida)

Association for Behavioral Health and Wellness

Better Medicare Alliance

ChenMed (Florida)

Council for Affordable Health Coverage

³ Carlson, Giese, and Armstrong p. 12. [Web.](#)

⁴ Brantley, Kelly. "Premium Increases for Most Popular Medicare Drug Benefit Plans; Market for Medicare Advantage Plans Appears Stable in 2017," Avalere Insights Article, October 18, 2016. [Web.](#)

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