

AUGUST 24, 2017

Dear Member of Congress:

Better Medicare Alliance (BMA) strongly urges you to support continuing the delay of the Health Insurance Tax (HIT) through 2018. Absent immediate Congressional action to delay the health insurance tax (HIT), seniors, small businesses and their employees, and young workers could face a major tax hike — as much as \$22 billion¹ — when the HIT returns in 2018.

BMA is a broad alliance of 90 organizations, including providers, health professionals, health systems, aging service agencies, business groups, retiree organizations, health plans, as well as beneficiaries. Collectively, we support and advocate for Medicare Advantage and the innovative, quality care it delivers. As the option within Medicare that provides coordinated, high-quality care, Medicare Advantage is the preferred choice for health coverage for nearly 19 million — one in three Medicare beneficiaries.

While much of the public's attention has focused on the HIT's harmful effects on individual and employer group consumers, we hasten to remind lawmakers that the HIT — and its negative economic effects — applies to senior and disabled Americans in Medicare Advantage, as well. At a time when Americans are looking for ways to lower health care costs, the HIT is a multi-billion dollar increase in the cost of health coverage. The fact is, more than 20% of the HIT will be paid by Medicare Advantage beneficiaries, most of whom live on fixed annual incomes and more than one-third (37%) of whom live on less than \$20,000 per year. Its impact will be felt by Americans all over the country, especially by senior and disabled beneficiaries in Medicare Advantage.

Medicare beneficiaries are increasingly choosing Medicare Advantage because they recognize its value in offering high-quality care, affordability, simplicity and enhanced benefits. The high-quality services that are hallmarks of Medicare Advantage offerings include case management services, care coordination, disease management, wellness and prevention programs, out-of-pocket protection, and vision, hearing, and dental benefits.

However, 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 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.

¹ Section 9010 of the Affordable Care Act stipulates that the 2018 health insurance tax revenue target is \$14.3 billion. 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](#).

With 2018 insurance premiums being finalized near the end of September, an [August, 2017 analysis from actuaries at Oliver Wyman](#) provides sobering illustrations of the financial burden the HIT will impose on Medicare Advantage beneficiaries if Congress does not act soon. The return of the HIT in 2018 could raise the cost of premiums by \$4.9 billion nationwide for Medicare Advantage enrollees.² This equates to an additional \$245 in premiums per year for each Medicare Advantage beneficiary — including those in Special Needs Plans and Employer Group Waiver Plans. Without HIT relief beyond 2018, premium increases for senior and disabled 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

Recognizing the HIT's negative impact on consumers, nearly 400 Democrats and Republicans in Congress voted to delay the impact of the HIT for 2017. As a result, the average Medicare Advantage monthly premium is 4 percent lower this year compared to 2016 when the tax was in effect.⁴

Congress made the right decision delaying the HIT for 2017, and it is the right decision now heading into 2018. But action must be taken soon. Delay of the HIT in 2018 would 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 consideration of our views on this important issue.

Sincerely,



Allyson Y. Schwartz
President & CEO
Better Medicare Alliance

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. 12. [Web](#).

³ *Ibid*.

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](#).