

June 8, 2009

Dear Senator:

As you begin the important debate on reforming our nation's health care system, we wish to express our strong opposition to any proposal that would pay for this reform by altering the tax treatment of employer provided health care. We believe this would be a step in the wrong direction that could jeopardize the overall reform effort.

Over 160 million Americans receive their health coverage through the workplace either as an employee, dependant or retiree. Both Congress and the President have said health care reform will build on what works and have assured Americans they can keep the coverage they have if they like it. This makes good political and policy sense.

Eliminating or capping the tax exclusion for employer provided health care benefits -- based on income, the premium level or a combination of the two -- would threaten to undermine this primary source of health care coverage for most Americans. First, it would remove a key incentive that employers have in providing the benefit. This could lead employers either to change substantially or eliminate health care plans. Second, if workers have to pay what amounts to a tax increase at possibly both the federal and state level, that could lead younger, healthier workers to pass up employer sponsored coverage for less comprehensive plans. This would drive up the cost of coverage for older, less healthy workers, leading to the unraveling of employer sponsored coverage.

Contrary to the arguments put forward by proponents of proposals to eliminate or cap the tax exclusion for employer provided health care benefits, this would not be an effective means for containing health care utilization and costs and curbing so-called "Cadillac" health care plans. Instead, it would simply penalize persons who happen to be in plans that have higher costs because of factors beyond their control -- that is, plans with more older workers, plans covering geographic areas with higher costs or plans sponsored by small businesses that have higher administrative costs.

Over the last several years, almost all of our members have sacrificed wages in bargaining in order to keep decent health care coverage. These hard working people are already in immense economic distress. Imposing what amounts to a tax increase upon them is unfair and very unpopular.

In 2009, a national survey done by Lake Research Partners shows that 80 percent of likely voters said they are opposed to taxing health benefits. The President campaigned against eliminating the tax exclusion of health care benefits and the public overwhelmingly agreed with his position. It's obvious the American people want health care costs lowered, not increased. They expect the Congress to make coverage more affordable, not less. Any result to the contrary may undermine their support for the program.

For all of the foregoing reasons, we urge you to oppose any proposals to alter the tax treatment of employer provided health care.

Air Line Pilots Association

International Association of  
Machinists and Aerospace Workers

Amalgamated Transit Union

International Brotherhood of  
Electrical Workers

American Federation of Government  
Employees

International Brotherhood of  
Teamsters

American Federation of Musicians of  
the United States and Canada

International Longshore and  
Warehouse Union

American Federation of Teachers

American Postal Workers Union

International Longshoremen's  
Association

Association of Flight Attendants

International Union of Police  
Associations

Association of Professional Flight  
Attendants

International Union, UAW

Bakery, Confectionery, Tobacco  
Workers and Grain Millers  
International Union

Metal Trades Department, AFL-CIO

Brotherhood of Maintenance of Way

National Air Traffic Controllers  
Association

Communications Workers of  
America

National Association of Letter  
Carriers

International Association of Bridge,  
Structural, Ornamental and  
Reinforcing Iron Workers

Professional Aviation Safety  
Specialists

International Association of Fire  
Fighters

Seafarers International Union

Sheet Metal Workers International  
Association

Transport Workers Union of America

United Association of Plumbers and  
Pipefitters

United Mine Workers of America

United Steel Workers

United Transportation Union