

June 9, 2009

Dear Senator or Representative:

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

Amalgamated Transit Union

American Federation of Government Employees

American Federation of Musicians of the United States and Canada

American Federation of Teachers

American Postal Workers Union

Association of Flight Attendants

Association of Professional Flight Attendants

Bakery, Confectionery, Tobacco Workers and Grain Millers International Union

Brotherhood of Maintenance of Way Employee Division of the International Brotherhood of Teamsters

Brotherhood of Railroad Signalmen

Communications Workers of America

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

International Association of Fire Fighters

International Association of Machinists and Aerospace Workers

International Brotherhood of Electrical Workers

International Brotherhood of Teamsters

International Federation of Professional and Technical Engineers

International Longshore and Warehouse Union

International Longshoremen's Association

International Union of Police Associations

International Union, UAW

Metal Trades Department, AFL-CIO

National Air Traffic Controllers Association

National Association of Letter Carriers

National Treasury Employees Union

Professional Aviation Safety Specialists

Seafarers International Union

Sheet Metal Workers International Association

Transport Workers Union of America

Transportation Communications Union/IAM

United Association of Plumbers and Pipefitters

United Mine Workers of America

United Steel Workers

United Transportation Union