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July 30, 2021

The Honorable Xavier Becerra
Secretary
U.S. Department of Health and Human Services
200 Independence Avenue, S.W.
Washington, DC 20201

The Honorable Martin J. Walsh
Secretary
U.S. Department of Labor
200 Constitution Avenue, N.W.
Washington, DC 20210

Dear Secretaries Becerra and Walsh:

We write today regarding the critical importance of employer-sponsored health insurance (ESI), which provides coverage to 151 million Americans.¹ Any efforts to reform our nation's health care system must strengthen and protect employer-sponsored insurance.

The vast majority of Americans enjoy their employer-sponsored coverage and say that the coverage played a role in their decision to accept their current job. According to a recent survey, more than two-thirds of Americans who receive their health coverage through their workplace express satisfaction with their coverage.² Fifty-five percent of small firms and 99 percent of large firms offered health benefits to their workers in 2020. When employees have the opportunity to participate in employer-sponsored health insurance, 83 percent of them enroll.³⁴

It is no surprise that Americans are happy with their employer-sponsored plans since employers offer high-quality health benefits to attract and retain staff. The percentage of health care costs paid by a health insurance plan is known as the actuarial value (AV). On average, the AV of an

¹ <https://www.cbo.gov/publication/56650>.

² <https://www.ahip.org/new-survey-employer-provided-health-coverage-is-delivering-real-value-for-consumers-during-the-pandemic/>.

³ <https://www.kff.org/health-costs/report/2020-employer-health-benefits-survey/>.

⁴ https://www.ebri.org/docs/default-source/ebri-issue-brief/ebri_ib_470_wbs2-10jan19.pdf?sfvrsn=c5db3e2f_10.

individual employer-sponsored preferred provider organization plan is 85 percent.⁵ When compared to the 70 percent AV of a silver plan and even the 80 percent AV of a gold plan on the *Affordable Care Act* (ACA) exchanges, employer-sponsored plans provide richer and more comprehensive coverage than ACA plans. Additionally, employer-sponsored plans have lower average deductibles (\$1,644 for an individual ESI plan⁶ compared with \$4,630 for an individual ACA silver plan⁷) and lower average out-of-pocket costs (\$4,039 limit for an individual ESI plan⁸ compared with an \$7,776 limit for an individual marketplace silver plan⁹) than exchange plans. Employer-sponsored plans also can include added benefits for workers and their families like employee assistance or wellness programs.

Employer-sponsored insurance not only provides better coverage but it is also a better bargain for taxpayers compared to government-run health care programs. In 2016, employers provided \$4.45 worth of benefits for every \$1.00 of tax expenditure.¹⁰ According to the Congressional Budget Office, employer-based coverage is the least expensive type of coverage for the taxpayer, costing just \$2,000 per recipient annually. The highest cost of coverage is Medicare at \$15,840 per recipient, and the second most expensive coverage is through the ACA exchanges at \$6,630 per recipient.¹¹ In 2020, employers contributed \$15,754 on average for family coverage.¹²

Our health care system faced unprecedented challenges during the COVID-19 pandemic, and recent data shows that employer-sponsored coverage helped keep Americans safe and healthy. While unemployment topped 14 million last spring and employment dropped as much as 20 percent, the number of people on employer insurance dropped by only one to two percent.¹³ Sixty-two percent of patients who sought a COVID-19 test reported that their employer-provided coverage helped them obtain and pay for it.¹⁴ Additionally, employer-sponsored plans helped patients obtain a COVID-19 vaccine and encouraged vaccination.¹⁵

We are growing increasingly concerned by legislative and regulatory proposals that would further erode the employer-sponsored market. Many policy changes proposed by the Biden administration encourage employers to withdraw some or all of their health benefits offered to employees in lieu of government-run health coverage. For example, making permanent the *American Rescue Plan Act*'s expansion of ACA advance premium tax credits would cause 1.6 million employees to lose ESI coverage. The majority of affected workers either become uninsured or move to the ACA exchanges.¹⁶ Lowering the age of Medicare to 60 would lead to

⁵ [analysis-of-actuarial-values-and-plan-funding-using-plans-from-the-national-compensation-survey.pdf \(dol.gov\)](https://www.dol.gov/eis/analysis-of-actuarial-values-and-plan-funding-using-plans-from-the-national-compensation-survey.pdf).

⁶ <https://www.kff.org/report-section/ehbs-2020-summary-of-findings/>.

⁷ <https://www.cms.gov/CCIIO/Resources/Data-Resources/Downloads/2021QHPPremiumsChoiceReport.pdf>.

⁸ <https://files.kff.org/attachment/Report-Employer-Health-Benefits-2020-Annual-Survey.pdf>.

⁹ https://news.ehealthinsurance.com/_ir/68/20199/ACA_Market_Unsubsidized_Price_Analysis_OEP_2020.pdf.

¹⁰ <https://www.americanbenefitscouncil.org/pub/1deb756b-02ef-beb9-be6a-33683b66ca85>.

¹¹ <https://www.cbo.gov/system/files/2020-09/56571-federal-health-subsidies.pdf>.

¹² <https://www.kff.org/report-section/ehbs-2020-summary-of-findings/>.

¹³ https://www.ebri.org/docs/default-source/policy-forum-documents/december-2020-materials/december-2020-policy-forum---day-3.pdf?sfvrsn=eb4a3a2f_6.

¹⁴ <https://www.ahip.org/wp-content/uploads/Value-of-EPC-Survey-Presenters-Deck-0321.pdf>.

¹⁵ <https://www.ahip.org/health-insurance-provider-actions-concerning-the-covid-19-vaccines/>.

¹⁶ Telephone interview with Cong. Budget Off. staff (June 21, 2021).

14.9 million employees moving from ESI to Medicare.¹⁷ Lastly, a public option could cause a death spiral for ESI by forcing plans to compete with the government, and Medicare-for-All would eliminate ESI altogether.

Calls to weaken or eliminate segmentation between employer-sponsored plans and the ACA marketplace threaten to disrupt the stability of employer-sponsored plans by raising employer costs and weakening the employer's risk pool.¹⁸ The Chairman of the Senate Finance Committee, Senator Ron Wyden (D-OR), proposed changing the definition of affordability for ESI at a June 9, 2021, hearing on the President's Fiscal Year 2022 Budget. This alteration, if enacted, would create a massive new tax on employers and would require employers to shift money spent on wages and other benefits like retirement and paid leave to health care coverage. If segmentation is removed, then healthy, low-risk patients could make a financial decision to switch to subsidized coverage on the exchanges. When an employee abandons an employer's risk pool it leads to destabilization as only high-risk and high-cost patients remain on the plan. Segmentation keeps premiums lower for workers. Eliminating segmentation would severely disrupt the employer market and make these plans less viable.

Americans are increasingly concerned about the growing costs of health care. Premium increases for health insurance continue to outpace wage growth.¹⁹ Between 2013 and 2017, premiums for employer-sponsored plans increased by 14 percent while premiums for ACA plans increased by 105 percent.²⁰ However, the solution to driving down health costs and growing health expenditures is to strengthen employer-sponsored health coverage, not enabling cost-shifting to taxpayers and the federal government by promoting policies that move enrollees covered by ESI to Medicare, Medicaid and the ACA exchanges.

Americans need health care solutions that strengthen employer-sponsored health coverage. The Federal government can help by expanding telemedicine, supporting Association Health Plans, breaking up consolidation in the health care marketplace, increasing price transparency, and expanding health savings accounts, flexible spending accounts, and health reimbursement accounts.

The value of employer-sponsored coverage to patients, taxpayers, and our nation's health care system is undeniable. Employer-sponsored plans are more popular, provide better quality care and coverage, and are a better deal for taxpayers than government-run health care programs. We urge you not only to protect but also to bolster the employer-sponsored coverage that 151 million Americans currently enjoy. We look forward to working with you to strengthen employer-sponsored health care.

¹⁷ <https://avalere.com/insights/medicare-expansion-could-have-a-mixed-impact-on-premiums>.

¹⁸ <https://news.bloomberglaw.com/employee-benefits/employers-fear-fallout-on-biden-plan-to-extend-health-subsidies>.

¹⁹ <https://www.kff.org/health-costs/report/2020-employer-health-benefits-survey/>.

²⁰ <https://aspe.hhs.gov/system/files/pdf/256751/IndividualMarketPremiumChanges.pdf>.

Please contact Taylor Hittle (taylor.hittle@mail.house.gov) with Committee on Education and Labor staff should you have any questions.

Sincerely,



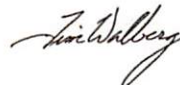
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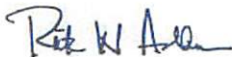
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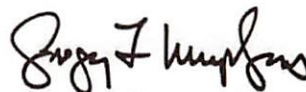
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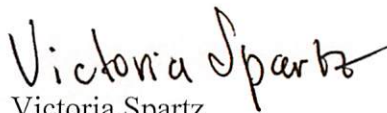
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Diana Harshbarger
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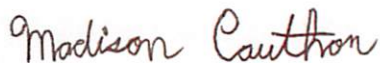
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