



**PARTNERSHIP FOR
EMPLOYER-SPONSORED COVERAGE**

October 29, 2021

The Honorable Charles Schumer
Majority Leader
U.S. Senate
S-221 The Capitol
Washington, DC 20510

The Honorable Nancy Pelosi
Speaker
U.S. House of Representatives
H-232 The Capitol
Washington, DC 20515

The Honorable Mitch McConnell
Minority Leader
U.S. Senate
S-230 The Capitol
Washington, DC 20510

The Honorable Kevin McCarthy
Minority Leader
U.S. House of Representatives
H-204 The Capitol
Washington, DC 20515

Dear Congressional Leaders:

The Partnership for Employer-Sponsored Coverage (P4ESC) writes today with narrow focus to raise concern with one element of H.R.5376 - *The Build Back Better Act* (otherwise known as the reconciliation bill) proposal to expand the Affordable Care Act (ACA) premium tax credit (PTC) to lower income individuals, or any recent or forthcoming adjustments or amendments to such proposal expanding the PTC. We believe it to be of critical importance to keep employer plans intact by preserving the “firewall” between employer plans and exchange coverage.

As a coalition representing businesses of all sizes, P4ESC has the unique ability to provide operational input across the full spectrum of the employer system – from the smallest family-owned business to the largest corporation. As has been shown time-and-again, employer-sponsored health coverage provides strong value for employees and their families and remains the preferred type of coverage for working-age adults.

Importantly, the value of employer-sponsored coverage also flows to the health care system generally. The existence and stability of employer-sponsored coverage provides a solid foundation upon which hospitals, doctors, and other providers rely, and around which other types of insurance coverage and government programs have been developed. Without the solid foundation of employer-sponsored group coverage the rest of the system is largely a patchwork of state-by-state regulated individual insurance coverage offerings plus the large government programs.

Any degradation of the employer-sponsored coverage erodes stability, shifts health care economics in uncertain ways, and potentially jeopardizes the underpinnings of our health care system for both providers and the other types of coverage available. Ultimately, destabilizing employer-sponsored health care with its ripple effects for providers and other coverages means that American families will be worse off across the board – regardless of whether they have

coverage through an employer, an ACA marketplace, as an individual, or through a government program.

To be clear, in general, we do not disagree with the expansion of the PTC in an effort to close the “coverage gap”. (SEC. 137504). However, the special allowance of the PTC in circumstances where an employer has offered minimum essential coverage meeting the otherwise applicable affordability requirements of the ACA may have certain unintended, potentially negative consequences on employer risk pools and ripple through the entire system. The maintenance of the employer risk pools by excepting individuals from the PTC when they have an employer’s offer of coverage meeting the ACA standards has been referred to as the “firewall.” This provision, included in SEC. 137504 as an amendment to Internal Revenue Code (IRC) 36B drafted as (h)(1)(B), appears to be the first incursion into an employer’s risk pool (the firewall) since the passage of the ACA in 2010.

Before 2010, and since with the establishment of the firewall, employer risk pools have remained relatively stable and predictable, which has allowed employers to innovate and provide new and valuable benefits. The effect of such stability has radiated out to the system as a whole – providing needed certainty and reliability for providers, insurance issuers, and even the government to invest, provide more value, and innovate more broadly. The proposed change to the firewall here may disrupt the stability and predictability in ways that are particular to each employer on a case-by-case basis, and in the aggregate may degrade the foundation of our system for all providers and coverage offerings. We do not think this should be undertaken lightly and would urge caution.

Given that employer-sponsored plans cover the majority of Americans, provide valuable benefits and individual assistance for their employees in using those benefits, and have maintained and improved these programs even in the darkest hours of the pandemic, we know the durability and importance of these programs not just directly to employees and their families, but to the nation and our health care system. We are concerned that any action resulting in less stability and less predictability of the risk pool may jeopardize critical employer health programs and have unforeseen and undesirable impacts in other markets at a time when reliable coverage – employer or otherwise – and provider stability is still imperative to most Americans.

We would be happy to engage with you further on this issue and help with any questions. We look forward to working with you to ensure employer-sponsored coverage continues to thrive.

Sincerely,

Partnership for Employer-Sponsored Coverage

www.p4esc.org