

July 24, 2019

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

The Honorable Chuck Schumer
Minority Leader
S-221, U.S. Capitol
Washington, DC 20510

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

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

Dear Leader McConnell, Leader Schumer, Speaker Pelosi and Leader McCarthy,

On behalf of the Medicaid Health Plans of America (MHPA), the national trade association representing Medicaid managed care plans, I am writing to express our members' concern about the Health Insurance Provider Fee, more commonly referred to as the Health Insurance Tax (HIT). The HIT has significant and serious implications for state Medicaid programs and Medicaid beneficiaries, as well as for state budgets. MHPA is asking Congress to support a full repeal or at minimum, a multi-year delay of the HIT.

MHPA works on behalf of 94-member health plans known as managed care organizations (MCOs) that serve more than 23 million Medicaid beneficiaries in 37 states and Washington, DC. MHPA's members include both for-profit and non-profit, national and regional, as well as single-state health plans that compete in the Medicaid market. Nearly three-quarters of all Medicaid beneficiaries receive health care through MCOs, and our association provides research and advocacy services that support policy solutions to enhance the delivery and coordination of comprehensive, cost-effective, and quality health care for Medicaid beneficiaries.

Enacted as Section 9010 of the Patient Protection and Affordable Care Act (ACA), the HIT is a fee (in the form of an excise tax) on businesses that provide health insurance, including most MCOs. Under federal law, the states must provide MCOs with actuarially sound rates that adequately cover medical costs, administration, taxes, and fees. Therefore, the cost of the HIT is paid by the states, resulting in a higher overall cost to the Medicaid program and serious implications for Medicaid enrollees and state budgets.

Most notably, HIT-related budget shortfalls could force states to cut essential programs (i.e. education, infrastructure) and services resulting in beneficiaries no longer receiving the optional or wraparound Medicaid benefits they need because of the availability of fewer Medicaid dollars. This is not in the best interests of Medicaid beneficiaries or the Medicaid program. It is critical that state Medicaid programs retain these dollars in order to provide care for low-income and vulnerable populations that rely on the program for high-quality and cost-effective health coverage, and to also not put additional stress on already stretched state budgets.

The HIT significantly increases the per-beneficiary cost of Medicaid coverage. According to a recent Oliver Wyman report, for the Medicaid managed care insurance market, the HIT results in an anticipated increase of \$157 per beneficiary, on an annual basis.¹ Additionally, since Medicaid is a federal-state partnership program, where both the federal government and an individual state contribute to the cost of providing health care through Medicaid, a 2014 Milliman study found that the MCO portion of HIT alone will cost the government about \$38.4 billion over a 10-year period (cost to states is \$13.6 billion and the cost to the federal government is \$24.8 billion).² While the federal government's cost of increased Medicaid expenditures are offset by the collection of the tax, the state is fully responsible for their portion of the tax.

In the past, HIT abatement has enjoyed extensive, bipartisan support. Congress placed a moratorium on the HIT in 2017 and 2019. As you consider ways to lower health care costs in the health care system, MHPA urges your strong consideration of a full repeal (H.R.2447/S.80) of the HIT or another delay (H.R.1398/S.172) as soon as possible as states are now working to finalize rates for the coming year. If you have questions on this issue, please direct them to Shannon Attanasio, Vice President, Government Relations and Advocacy (sattanasio@mhp.org).

Sincerely,

Shannon Attanasio

Shannon Attanasio
Vice President, Government Relations and Advocacy
MHPA

cc:
Senate Finance Committee
House Ways and Means Committee

¹ "Analysis of the Impacts of the ACA's Tax on Health Insurance in Year 2020 and Later," Oliver Wyman, August 2018.

² "ACA Health Insurer Fee: Estimated Impact on State Medicaid Programs and Medicaid Health Plans," Milliman, January 2014.