



December 12, 2018

The Honorable Mitch McConnell  
Majority Leader  
United States Senate  
Washington, DC 20515

The Honorable Speaker Ryan  
Speaker of the House  
United States House of Representatives  
Washington, DC 20515

Dear Leader McConnell and Speaker Ryan,

We write to you today in opposition to two Obamacare taxes, the Health Insurance Premium Tax (HIT) and the Medical Device Tax (MDT). Congress has an opportunity to permanently repeal both taxes before the holidays and we strongly encourage you to seize this opportunity to do so.

As you know, when Obamacare was enacted it contained a slew of new burdensome and destructive taxes designed to prop up the program. These taxes have not only hurt our economy, raised premiums, and restrained wage growth but have also, according to the Tax Foundation, cost 133,000 jobs. While the HIT and MDT taxes for calendar year 2019 were suspended by Congress in 2018, they are slated to take full effect in 2020.

Under the HIT, all carriers that offer fully insured policies must pay an annual tax based on premiums. These payments are roughly in proportion to their market share and apply to policies sold on and off the individual market exchange, large and small group markets, and programs such as Medicare Advantage and Medicaid Managed Care. The result of this tax is billions in increased costs on insurers, though it is small businesses and consumers who are left to foot the bill in the form of higher premiums. Unless the tax is repealed or suspended for CY 2020, these amounts will be reflected in premiums for 2020 plans, which must be filed for state review in the spring of 2019.

In fact, according to data from the Oliver Wyman Actuarial Consulting firm, for every dollar the HIT raises the result is a \$1.27 increase in premiums. These increases translate into an annual premium increase of \$196 per person in 2020 for those buying coverage on the exchange, \$458-\$479 for individuals obtaining coverage through their employers, and \$147 for enrollees in Managed Care plans. Make no mistake: this tax directly effects the bottom line of individuals, families, and small-businesses. The solution is not, as some Democrats have suggested, to pour more and more taxpayer dollars into the problem through subsidies. Rather the best solution is to repeal the tax entirely. Doing so would result in lower premiums for millions of Americans. For states, it would result in lower costs for administering Medicaid Managed-Care plans.

The MDT is a 2.3 percent excise tax on the value of domestically sold medical devices, which results in increased prices for consumers, lowers job opportunities, and less investment in the industry. According to data from the Tax Foundation, the Medical Device Tax is a crucial factor in the loss of approximately 21,800

jobs from 2013 to 2015. Furthermore, research shows that research and development spending decreased during the same period, which could lead to less innovation on needed medical devices. In July, the House of Representatives passed a bill to kill the MDT, but the repeal bill has stalled in the Senate due to procedural wrangling. That must end. For the good of our economy and our health care system, this tax should be repealed entirely and permanently.

As leaders, it is vital that we seize on opportunities to inject free-market principles into our health care system, which will not only improve it but bring down premiums and stop the unsustainable spending. Eliminating the Health Insurance Premium Tax and Medical Device Tax is one of those opportunities, and we strongly encourage you to seize it.

Sincerely,



Governor Christopher T. Sununu  
New Hampshire



Governor Rick Scott  
Florida



Governor Kim Reynolds  
Iowa



Governor Jeff Colyer  
Kansas



Governor Matt Bevin  
Kentucky



Governor Paul R. LePage  
Maine



Governor Phil Bryant  
Mississippi



Governor Pete Ricketts  
Nebraska



Governor Henry McMaster  
South Carolina



Governor Greg Abbott  
Texas



Governor Gary R. Herbert  
Utah



Governor Scott Walker  
Wisconsin