

Notice 2015-16



520 E. 34TH Ave., Suite 107
Anchorage, AK 99503-4116

LEGAL PROCESSING DIVISION
PUBLICATION & REGULATIONS BRANCH

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CC:PA:LPD:PR (Notice 2015-16)

Room 2503

Internal Revenue Service

PO Box 7604

Ben Franklin Station

Washington, DC 20044

On behalf of the Alaska Teamster-Employer Welfare Trust, I am writing to submit comments regarding the potential excise tax regulations provided in Notice 2015-16. The Alaska Teamster-Employer Welfare Trust provides coverage for approximately 3800 people, including non-Medicare eligible retirees, in Alaska.

Beginning in 2018, the Affordable Care Act (ACA) will assess a 40% excise tax on the excess cost of a health plan above a dollar threshold. The threshold was set at \$10,200 per year for employee-only coverage, and \$27,500 for an employee and family. The ACA applies adjustments for a cost of living adjustment over time, but the adjustment is designed to be significantly less than health care trend increases, thus subjecting increasing numbers of health plans to the tax each year. Moreover, although thresholds may also be adjusted for age and gender and for individuals in high-risk professions, no adjustment is made for health plans located in high cost states, such as Alaska. **The tax will hit Alaskans and plans like the Alaska Teamster-Employer Welfare Trust harder than people in any other state.**

Health care costs more in Alaska:

- The Anchorage Economic Development Corporation noted that the cost of health care in Anchorage is the fourth highest in the nation – behind Fairbanks, Juneau and Kodiak. A physician's office visit is 62.5% higher than the national average¹.
- The Institute of Social and Economic Research at UAA (ISER) found that the costs of many common healthcare services in Alaska is higher than the average cost nationwide, including 35% higher doctor's fees and 56% higher average hospital costs per day².

¹ 2014 Anchorage, Alaska Cost of Living Index, Anchorage Economic Development Corporation, sourced from the Council for Community and Economic Research (C2ER)

² Mark A. Foster and Scott Goldsmith, Alaska's Health-Care Bill: \$7.5 Billion and Climbing, UA Research Summary No. 18, August 2011

- Alaskans do not have easy access to travel to states with lower cost health care. This geographic isolation limits competition and keeps health care costs high.

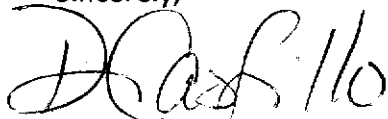
In Alaska, the total premium cost for single coverage was 32% higher than the US average. For employee-plus-one coverage, Alaska's average cost was 35% higher than the US average; and for family coverage, Alaska's cost was 29% higher than the national average. The tax will impact Alaskans harder than people in any other state.³ Indeed, it is likely that most Alaska-based health plans will hit the excise tax thresholds in 2018, or soon thereafter, without legislative or regulatory relief.⁴

Accordingly, we request the proposed excise tax regulations be written to address this geographical differential issue through an adjustment in the tax thresholds for Alaska and other high cost states.

Without an adjustment for high costs states, the excise tax places an unfair burden on employers, participants and health plans like the Alaska Teamster-Employer Welfare Trust.

Thank you for your consideration. Please do not hesitate to contact me, if I can answer any questions.

Sincerely,



Dennie Castillo

Administrator

Alaska Teamster-Employer Welfare Trust

www.959trusts.com

(907)751-9720

³ See Kaiser Family Foundation, State Health Facts, Employer-Based Health Insurance Premiums, 2013.

⁴ See Mouhcine Guettaji, Rosylind Frazier and Gunnar Knapp, Alaska Employer Health-Care Benefits: A Survey of Alaska Employers, ISER for Alaska Health Care Commission, October 2014.