



CITY OF HIGHLAND PARK

1707 ST. JOHNS AVENUE
HIGHLAND PARK, ILLINOIS 60035
(847) 432-6800

Notice 2015-16

MAY 19 2015

Via E-mail: notice.comments@irscounsel.treas.gov

May 13, 2015

CC:PA:LPD:PR (Notice 2015-16), Room 5203
Internal Revenue Service
PO Box 7604
Ben Franklin Station
Washington DC, 20044

Re: Notice 2015-16

Ladies and Gentlemen:

The City of Highland Park, Illinois appreciates the opportunity to provide comments in response to the Internal Revenue Service's recent regulatory guidance (Notice 2015-16) regarding the excise tax on high cost employer-sponsored health coverage under §4980I of the Internal Revenue Code. The City of Highland Park, Illinois (City) is vibrant community located approximately twenty-five miles north of Chicago, Illinois with a resident population of 29,763 as of the 2010 census.

The mission of the City of Highland Park municipal government is to provide excellent services to all citizens of and visitors to Highland Park with the highest degree of fairness and equity. The City of Highland Park municipal government is committed to an organizational vision which: 1) includes the highest level of public safety and security; 2) values diversity and compassion; 3) pursues opportunities for intergovernmental cooperation; and 4) strives to be efficient, cost effective, and customer satisfaction oriented in the delivery of all government services.

In order to provide efficient, cost effective services to citizens and visitors the City employs 237 full-time employees along with 33.41 full-time equivalent part-time employees. A key component of the benefits package necessary to attract and retain a high-quality, engaged workforce is health care. The City is committed to providing quality care while reducing health care costs and increasing the overall health of employees. The City has long felt the burden of health care cost increases, and has been proactively taking steps to mitigate this, including the adoption of innovative strategies aimed at better cost and health management. The upcoming excise tax threatens the City's ability to adopt tested strategies, and we hope you will consider the concerns laid out within this letter.

We do not believe the tax is intended to hinder the general concept of employer-sponsored insurance, undermine the overall movement toward consumer directed care or impede an employer's ability to offer cost effective strategies for improving the health and wellbeing of their workforce.

In order to comply with the objectives of the excise tax while maintain an employer's ability to utilize cost effective strategies for improving the health and welfare of their workforce, including consumer driven health care, we ask that the regulatory implementation of §4980I consider the following comments.



Applicable Coverage

We urge the IRS to tighten definition of “applicable coverage,” ensuring this will only impact plans with excessively generous coverage. Casting too wide of a net on various types of coverage mechanisms will thwart the efforts of employers, including the City, to contain cost. We request the IRS exercise the regulatory authority granted under §4980I to exclude the many cost effective and innovative activities employers are engaged in to improve employee health and wellness.

A focus area for many employers, including the City, in order to lower health care costs has been to increase consumer awareness of health care through the use of a consumer directed health plan combined with a Health Savings Account (HSA.) The proposed inclusion of employee contributions as applicable coverage will severely inhibit the utilization of consumer driven health plans and move employees away from plans that increase their participation in and knowledge of health care – a transition which has been shown to limit health care costs.

Additionally, if employers such as the City may face an excise tax should an employee elect to contribute to an HSA or Flexible Spending Account (FSA) via payroll deduction, we may be forced to limit the amount an employee can contribute or remove the HSA or FSA entirely. The limitation or removal of these plans again would move employees away from a direction of consumer driven health care and active participation in their health care.

In order to maintain the effectiveness of HSA and FSA plans we ask that the IRS exclude HSAs and FSAs from the definition of applicable coverage. Should that not be possible, we request that the IRS strongly consider excluding employee contributions to an HSA or FSA from applicable coverage to allow for the continued success of consumer driven health care in reducing health care costs.

In the past decade, employers have made great strides to improve the health of their workforce, reducing overall cost of care, and controlling for quality, by adopting new models for on-site or near-site medical clinics, including multi-employer shared clinics. The City has a long history of partnering with other government agencies on initiatives, and would like the opportunity to explore a multi-employer near site clinic in the future. The IRS has indicated that it will exclude onsite medical clinics providing de minimis coverage—while excluding all onsite medical coverage would require a statutory change, we request that the IRS implement as broad a definition of de minimis as possible, given that onsite medical clinics providing first aid, immunizations, and other forms of routine, non-intensive care are lowering, rather than driving, unnecessary utilization. The City recommends that all onsite or near site clinics be excluded, and if this is not possible, a broad definition of de minimis be applied.

A broad definition of de minimis onsite medical coverage would include both the many forms of high value preventive care offered at clinics and the many innovative ways employers are using onsite care at large and small worksites. Though the City does not presently have an on-site or near-site clinic, we do provide preventative care to some employees through contracted onsite immunizations and periodic routine care in a medical van brought to our site. We ask that the IRS define de minimis coverage in a way that does not hamper employers such as the City in pursuing strategies that increase the receipt of high-value primary care.

Additionally, we request that employee assistance programs remain excluded from applicable coverage. This support provided by an employee assistance program is not only essential for control of various forms of mental health, but when not offered, can trigger lack of compliance with other medical care, chronic condition management, and ultimately the ability to maintain employment.

Calculating Costs

We are strongly concerned with the cost calculation set forth in Notice 2015-16. Specifically with limiting the tax preference for employee contributions to flexible spending accounts (FSAs), and health savings accounts (HSAs), the IRS is urged to issue clarification that employee contributions to these accounts will continue to receive their traditional tax preference.

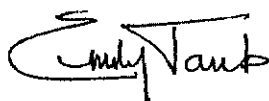
The IRS should also support the stated goals of lawmakers and the position of this and prior administrations when it comes to the treatment of Health Reimbursement Accounts (HRAs). Excluding employer contributions to HRAs would preempt the possibility of double-taxation if employees used HRA funds toward the cost of applicable coverage. Excluding employer contributions is also consistent with a longstanding policy favoring wellness initiatives, activities recognized as reducing—rather than driving—health care spending. Many employers, including the City, use HRAs to provide employees with wellness incentives, and including wellness payments in the cost calculation would have the unintended effect of discouraging the proliferation of those programs.

Applying Costs

The IRS addressed the issue of “applying cost” in Notice 2015-16. As with other sections, the agency should apply cost in a manner consistent with the original intent of the statute, which includes an additional allowance only in a limited number of specific instances. We believe that costs should be applied equally to all groups except those explicitly provided for in §49801(b)(3)(C)(iv)—qualified retirees, those engaged in high-risk professions, and groups with significant deviations from the age and gender balance of the national workforce. Additionally, we request that the higher threshold limits for those engaged in high-risk professions, such as Police and Fire, remain in place.

The City of Highland Park appreciates your thoughtful consideration of these comments on the proposed regulations. If you have any questions about these comments or wish to discuss them further, please contact Emily Taub, Human Resources Manager, at (847) 926-1005 or etaub@cityhpil.com.

Sincerely,

A handwritten signature in black ink, appearing to read "Emily Taub". The signature is stylized with a large, looped initial "E" and a cursive-style name.

Emily Taub
Human Resources Manager