Notice 2015-16

MINNESOTA BUSINESS PARTNERSHIP

May 11, 2015

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

Submitted electronically: *Notice.comments@irscounsel.treas.gov*

Re: Notice 2015-16 on the Excise Tax on High Cost Employer-Sponsored Health Coverage

To Whom It May Concern:

Thank you for the opportunity to provide comments in response to the Internal Revenue Service's ("IRS") Notice 2015-16 on the Excise Tax on High Cost Employer-Sponsored Health Coverage ("Notice") published February 23, 2015.

The Minnesota Business Partnership is a membership organization consisting of more than 100 CEOs and senior executives from Minnesota's largest employers. Our members employ more than 400,000 Minnesotans and millions worldwide. Our members represent a broad range of business interests, political perspectives, and personal philosophies, but they are united by a desire to maintain a high quality of life for all Minnesotans by ensuring that the state's economy remains strong and globally competitive, with bright prospects for growth.

The Minnesota Business Partnership is concerned about the excise tax itself, as well as the difficulty and expense that employers will face in administering it.

Accordingly, we respectfully submit the following comments:

I. Policy Concerns with the Excise Tax

We are concerned about any policy that discourages initiatives aimed at lowering health care costs. The policies announced in the Notice will discourage such initiatives by subjecting them to an expensive and administratively burdensome excise tax. For example, wellness programs can improve employee happiness and productivity while reducing costs- the exact outcomes we aspire to achieve. The Minnesota Business Partnership recently released a report, shared as Minnesota's Health Care Performance Scorecard and available online at www.mnbp.com, that found an opportunity exists to promote best practices in wellness programs, thereby expanding on the ability to improve employee health and productivity while driving down costs. The opportunity for employers' to curtail cost while promoting health would be hindered by inclusion of wellness programs in the applicable coverage calculation.

On-site medical clinics are another example. On-site clinics allow employees to conveniently access preventive care, such as immunizations, instead of arranging separate off-site appointments. Employees reap the health benefits of receiving preventive care that increases overall population health. Subjecting on-site medical clinics to the excise tax discourages employers from offering such benefits.

Finally, Internal Revenue Code § 4980I(d)(2)(C) taxes employer and employee pre-tax contributions to Health Savings Accounts ("HSAs"). HSAs help employees save for their future medical needs and become more sensitive to the costs of health care, both of which are designed to reduce overall health care costs.

Health care costs remain an enormous challenge for everyone – employers, individuals, and the government. Subjecting these cost saving initiatives to the excise tax will discourage employers from offering them, and risk driving costs even higher.

II. Recommendations

We offer two recommendations to improve the implementation of the excise tax. First, we recommend that the IRS delay the collection and enforcement of the excise tax. Many employers are already developing health plan coverage benefits that extend beyond the effective date of the excise tax. By the time the final regulations are published, employers will already have established their benefits and will be unable to account for regulatory shifts. A delay in the collection of the excise tax would give employers an opportunity to plan for the changes in a more thoughtful, employee-friendly manner.

Second, we encourage the IRS to adopt a safe harbor of non-enforcement for the excise tax in instances where an employer satisfied the employer shared responsibility requirements. Employers that satisfy the requirements of employer shared responsibility by offering plans that meet minimum value will eventually meet the thresholds of the excise tax, due to inflation. Therefore, we recommend a safe harbor for the imposition of the excise tax in instances where employers offer a plan meeting minimum value.

We appreciate the opportunity to provide these comments, and we thank you for your consideration.

Sincerely,

Mary K. Brainerd

Mary Brainerd
Chair, Minnesota Business Partnership Health Policy Committee
President and CEO, HealthPartners