LEGAL PROCESSING DIVISION
PUBLICATION & REGULATIONS BRANCH

Notice 2015-16

JUN 01 2015

June 1, 2015 Cadillac Tax

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

RE: Notice 2015-16 (Excise Tax on High Cost Employer-Sponsored Health Coverage)
Submit electronically via notice.comments@irscounsel.treas.gov / Subject: Notice 2015-16

On behalf of Solomon Corporation, I am submitting the following comments and recommendations regarding IRS Notice 2015-16 related to how onsite clinics should be treated under implementation of the Code Section 4980I, the excise tax created under the Affordable Care Act (ACA).

Overview of Solomon Corporation

The Solomon, KS based manufacturing facility(www.solomoncorp.com) is a privately held company with headquarters and operations in central Kansas with additional locations in Tennessee, Texas, and Colorado. This 2nd generation company employs approximately 550 employees, we operate in a non-union environment, and our headquarters resides in a small rural community.

Founded in the early 1970's, our business was to re-furbish transformers and other power distribution equipment such as sub stations, pad mounted transformers and to recycle and dispose of power distribution equipment. Our annual sales are in excess of 100 million dollars.

In 2007, we opened an on-site clinic in response to the needs of a rural workforce. We operate our clinic 3 days a week. The annual investment required of our company is $250,000. This outlay amount has remained constant over the years. We average 5600-6000 patient interactions annually.

We use our clinic to serve employees primarily during working hours. Our population is predominately male manufacturing employees. We serve a population who does not have a primary care physician and uses the ER for medical treatment after work hours. Wellness is a vital component of the clinic, offering a variety of screening, preventive, wellness and condition management services in addition to immunizations, allergy shots, and pain relievers. This type of service is handled by a mid-level professional(nurse practioner), a receptionist, and a nurse under the supervision and partnership with a rural local hospital and privately run pharmacy.

ACCESS to Care

Offering medical services at the workplace is a component of our overall wellness strategy. We invested in this path because it's proved to be effective. Our employees work with a medical professional one-on-one, during the work day. This service and interaction with a medical professional has made a big difference in the general overall health of our workforce.

By offering easily accessible and convenient services at the worksite, we significantly reduce the need to leave work or spend after-hours time to obtain needed care. Our onsite clinic staff knows our worksite population well. They assist our employees in providing health promotion information as well. The staff, because of the relationship with the employees, gets medication adherence which results in better attendance. Our employees can save their "time off" banks for relaxation or enjoyment of their choosing.

Our clinic helps keep our employees healthier and better informed consumers of health care, both which have the beneficial effect of decreasing costs. On-site flu shots or shingles immunizations, for instance, increase the rate of immunization among our employees and their families, protecting them and the surrounding community against disease and thus, reducing medical expenses.

Onsite Clinics and The Excise Tax

I do not profess to be any type of expert on the ACA. I'm lucky to work for a company that's willing to truly support the health of their workforce and their families. Imposing this tax on a work-site solution is counter-productive.

I'm simply one HR Director responsible for maintaining a workforce. Our employees cannot support their families if they miss work. We do everything we can to support our 550 families and we know that access to health care is a critical part of the equation.

Our clinic provides very basic services and enables patients to gain access to care which is often lacking due to finances, language barriers, education, etc... especially in our rural area.

The ACA section on the excise tax was never intended to tax medical and other ancillary services delivered by local health care providers who offer these types of services. It would be inequitable to apply the tax to onsite clinics merely because they are sponsored by employers.

We believe access to basic care is absolutely critical to a healthier workforce so we incurred the expense as the employer. For the first two years, there was no return on our investment; it was simply an investment in our people and their families because it was the right thing to do. However, over time the impact of our clinic has enabled us to avoid the 8-14% inflationary trend on medical spend. We have avoided increases to our employees for the past 3 years for their health insurance. Access to care and adherence to behavior-based outreach has kept our overall health plan costs flat for several years.

It would be very difficult to explain this employer-sponsored service being taxed when it's been part of a successful solution to a very complex issue. We are doing our part as an employer. Our employees are doing their part in terms of our health plan. We've worked hard to provide our employees with education. That has resulted in high utilization of generic medications, high utilization of our discount in-network providers, taking their medications regularly, and seeing a medical professional in a timely manner. The basic services of our on-site clinic work in concert with our overall health plan.

The excise tax would clearly be a HUGE disincentive for us as a small rural employer. We are trying to maintain and create new jobs. We are executing on improving the health and access to healthcare for our employees and their families. The ACA doesn't tax health care providers for offering these services and so our onsite clinic shouldn't be taxed either. I'm hopeful that the Committee Leadership making recommendation to the IRS and Treasury would encourage and support efforts that promote better health, patient experiences, patient access to quality care and health care innovation.

Rules developed to implement the excise tax should recognize that onsite clinics advance the ACA and promote the provision of many forms of high value population health management, preventive and wellness services. They represent one of the many innovative ways employers are addressing their organization's health at large and small workplace locations.

Definition of de minimis

If clinics have to be included in this tax, please do not list individual services. Our on-site providers need latitude in serving our employees. We are delivering very basic services to a population that that needs access to medical care. That care can range from assisting with managing a newly diagnosed condition, assistance with a referral, or help with a private family matter such as child going through substance abuse or bullying at school.

In closing, please exclude on-site clinic services from the excise tax. If you must, please include a dollar amount ($800) and a broad definition of de minimis care.

Faced with the excise tax, we are 100% certain that our onsite clinic will be faced with eliminating services. That elimination would have such a significant negative impact to our employees.

Rules developed to implement the excise tax should recognize that onsite clinics advance the ACA and promote the provision of many forms of high value health management, preventive and wellness services. These on-site clinics represent one of the many innovative ways employers are addressing their organization's health at large and small workplace locations.

Thank you for your consideration of these comments and recommendations. I would be pleased to talk or meet with anyone on the topic of onsite clinics and their value. I'd be honored for you to come see the service we provide and talk to our employees about the difference it makes in their lives.

Sincerely,

Kim Hoelting
HR Director
Solomon Corporation