

**JIM COSTA**

20TH DISTRICT, CALIFORNIA  
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CONGRESS OF THE UNITED STATES  
HOUSE OF REPRESENTATIVES  
WASHINGTON, DC 20515

January 17, 2013

Mark J. Mazur  
Assistant Secretary for Tax Policy  
Department of the Treasury  
1500 Pennsylvania Ave., NW, Room 3120  
Washington, DC 20220

Dear Assistant Secretary Mazur:

It is my firm belief that all Americans should have access to quality, affordable health care. While I strongly support the intent of the Patient Protection and Affordable Care Act (PPACA), I am increasingly concerned by the anticipated impact of the law's annual fee on health insurance providers. Rather than bend the cost curve in health care spending, this fee may directly undermine one of the primary goals of the PPACA: making coverage more affordable.

Though the fee technically falls on insurers, according to the Joint Committee on Taxation, "a very large portion of the fee" will be "borne by consumers" in the form of a 2 to 2.5 percent increase in premiums.<sup>1</sup> As a result, this fee may negatively affect small businesses, employers, consumers, and seniors. In past years, health insurance premiums in California rose at a rate more than twice the rate of inflation, eating up a larger and larger percentage of household income. I fear this fee will only add to this problem and threaten our economic recovery in the San Joaquin Valley.

State governments may also be significantly affected by the fee. California is pursuing an expansion of managed care in Medi-Cal to improve outcomes for consumers and rein in costs. Because this fee will be imposed on managed care Medicaid programs but does not apply to fee-for-service Medicaid programs, it is estimated that California will incur millions in additional costs as a result of this modernization effort.

Therefore, as you prepare the anticipated regulations for implementing the annual fee on health insurance providers, I urge you to adhere to the following:

- Create a transparent and open assessment process whereby interested parties can determine how the respective fees are assessed on health insurers subject to the fee and provide appropriate input and reaction to the fees assessed. Ensuring full transparency will result in an accurate and fair assessment;
- For future year assessments, take into account the unspent portion of funds needed for the Medicaid expansion and subsidies created by PPACA that was collected from health insurers before making future assessments; and

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- Determine that recoupment of any fees from policyholders is not considered income for purposes of federal tax collection in order to help ensure consumers will have more choices for health coverage.

Thank you in advance for your attention to this important matter. I look forward to your prompt response.

Sincerely,



JIM COSTA  
Member of Congress

Cc: Steven T. Miller, Acting Commissioner, Internal Revenue Service

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<sup>i</sup> Thomas Barthold to Senator Jon Kyl, June 3, 2011