



AMERICAN BENEFITS
COUNCIL

February 6, 2009

The Honorable Harry Reid
Majority Leader
United States Senate
S-221
Washington, DC 20510

The Honorable Mitch McConnell
Republican Leader
United States Senate
S-230
Washington, DC 20510

Dear Majority Leader Reid and Republican Leader McConnell:

I am writing on behalf of the American Benefits Council concerning the temporary health care premium subsidy provisions in S. 1 the American Recovery and Reinvestment Act of 2009. These provisions relate to continuation of health coverage under the Consolidated Omnibus Budget Reconciliation Act (COBRA) for those who have lost their job involuntarily. The American Benefits Council represents employers and other organizations that collectively provide health and retirement benefits to over 100 million Americans.

We recognize that many Americans are experiencing significant hardship in the current economic crisis, including the loss of employer-sponsored health coverage. For those who involuntarily lose employment, we believe that the COBRA premium subsidy provisions in the Senate bill will provide an important source of support to allow these individuals to maintain health coverage during this difficult time

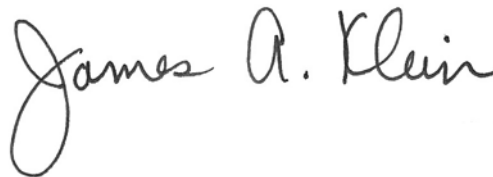
While we believe that it is appropriate for the Senate to include short term assistance for those who lose health coverage due to involuntary termination from employment, we strongly urge that the Senate maintain the current law 18 month period for COBRA coverage. We are particularly concerned about – and would respectfully request that you not add to the Senate bill – provisions contained in the House economic stimulus bill which authorize an indefinite period of COBRA coverage for those who lose employment (voluntarily or involuntarily) and are 55 or older OR who have ten or more years of service with their employer.

COBRA continuation of health coverage should be considered a short-term bridge to assist those who temporarily lose employment-based health coverage, not as a permanent source of health coverage for those no longer connected to the workforce. It is important to remember that the actual claims experience of COBRA beneficiaries is typically significantly higher than the premiums paid for the continuation coverage. Employers will receive no reimbursement for the actual claims expenses of those who elect COBRA coverage which are much higher than the maximum premium which may be charged. In fact, COBRA claims experience may often be 150% or higher than the premiums for continuation coverage, a shortfall which must be paid by employers and active employees. In this economy, employers cannot bear substantial new burdens like this without cutting jobs or drastically reducing health benefits. In addition, we believe that COBRA coverage is not the appropriate long term solution for those who are not covered by an employer health plan and that these broader issues and solutions should be considered as part of health reform legislation rather than in the context of the immediate economic stimulus package.

Under the House bill, 10 years of very costly COBRA coverage can be earned by a 55-year old individual who works for one month for an employer. If that individual has a younger spouse, the period of COBRA coverage for the spouse can be much longer than 10 years. This is not the right answer. It is a large unmanageable burden on employers at the worst possible time.

On behalf of our member companies and their employees, we thank you for the opportunity to offer our views on this important legislation. We look forward to working closely with you and your staff on the transition and other issues relating to the new temporary premium subsidy program during the upcoming conference on the stimulus measure and during implementation of the COBRA subsidy.

Sincerely,

A handwritten signature in black ink that reads "James A. Klein". The signature is written in a cursive style with a large, looping initial "J".

James A. Klein
President