



September 28, 2009

The Honorable Max Baucus  
Chairman  
Senate Finance Committee  
Washington, DC 20510

The Honorable Charles Grassley  
Ranking Member  
Senate Finance Committee  
Washington, DC 20510

Dear Chairman Baucus and Senator Grassley:

I am writing on behalf of the American Benefits Council (the "Council") to urge that several possible amendments to the Chairman's mark on health care reform be rejected. The Council is a trade association representing principally Fortune 500 companies and other organizations that assist employers of all sizes in providing benefits to employees. Collectively, the Council's members either sponsor directly or provide services to health and retirement plans covering more than 100 million Americans.

**Wyden C-1 Healthy Americans Act Amendment**

We strongly urge that the Committee oppose Senator Wyden's amendment to require employers to pay their "normal" premium contribution to a health insurance exchange or gateway if an employee opts-out of an employer plan. In effect, employers would be required to both "play and pay" for those employees who opt-out of their employer-sponsored plan and obtain coverage elsewhere.

Mandatory opt-out provisions would be highly destabilizing for employer-sponsored coverage. For example, if younger, healthier workers opt-out of their employer plan and obtain coverage in the exchange, employers would lose the premiums paid by lower cost employees, making it much harder to employers to keep coverage more affordable for their groups as a whole. In addition, this provision would fragment an employer's workforce into a multitude of different plans, undermining employers' efforts to leverage their purchasing power to obtain the best possible coverage at the most affordable rates for their employees and fundamentally frustrate employers' attempts to administer integrated health improvement strategies such as disease management programs and care coordination initiatives.

## **Schumer C-1 and Schumer/Cantwell C-2 Public Plan Option Amendments**

We also strongly urge that the Committee not accept either the Schumer C-1 amendment or the Schumer/Cantwell C-2 amendment on the public plan option. Either amendment would replace the carefully negotiated non-profit, member-run cooperatives in the Chairman's mark with a full public plan option approach.

We recognize that the public plan option issue and possible alternatives are still under consideration. Our views on this issue have consistently been that we believe that vibrant competition among private health plan options in a reformed market should be given every opportunity to succeed. Transitioning from the market rules in place today, to a reformed market with new insurance exchanges available in every state is a dramatic change in current practices. Achieving a reformed and well regulated private market is essential and should be a central focus of health care reform. This core element of health reform will be challenging enough without attempting to introduce public plan options that risk destabilizing the insurance market at the same time it will be undergoing significant change and meeting demanding new standards.

We are confident that responsible federal insurance reform standards will lead to wide availability of private health plan options in all parts of the country. Finally, just as we have seen in the reform plan already in place in Massachusetts, a public plan option is not essential to changing market conduct or achieving more accessible and affordable coverage, indeed it will only be a distraction in accomplishing those goals.

## **Rockefeller C-1 Insurance Market Reform Amendments**

Senator Rockefeller's amendment would subject large insured and self-insured employer plans starting in 2013 to the insurance reform rules that the Chairman's initially applies only to the individual and small group insurance market in the exchange. We recognize that health care reform will also involve new responsibilities for employers. We believe the provisions in the Chairman's mark strike an appropriate balance between providing employers the essential flexibility they must have to develop benefit plans that meet the unique needs of their workforce while also ensuring that all employees, regardless of group size, are able to obtain meaningful and affordable health coverage either through an employer plan or through the new health insurance exchanges.

Applying individual and small group market insurance requirements on employer-sponsored health coverage on a market-wide basis starting in 2013 is inappropriate. We are very concerned that ultimately, if unintentionally, the cumulative effect of these requirements will lead to a net reduction in employer-sponsored coverage by leading some companies to simply "pay" rather than "play. This would lower the level of active employer engagement and their important role as innovative and demanding purchasers of health care services. Making health care coverage more affordable for employers of all sizes is the best way to ensure the continuation of the extremely high level of participation by larger employers in offering health coverage and increase the level of participation by smaller employers who are struggling to make health coverage a reality for their employees.

## The Importance of Employer-Sponsored Health Coverage

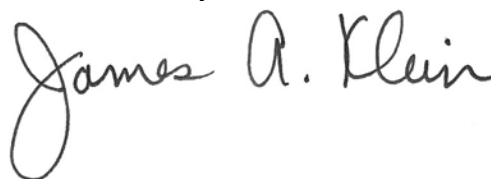
We firmly believe that the best reform options are those that preserve and strengthen the voluntary role that employers play as the largest source of health coverage for most Americans. By keeping employers engaged as sponsors of health coverage, we also keep the innovation and expertise employers bring to the table in the collective effort to achieve broad-based, practical health system reform.

One of the many strengths of our voluntary employer-based system is that group purchasing lowers health care costs because employers, especially larger employers, are able to effectively pool the health risks of employees. In addition, employers are demanding purchasers of health care services. They are increasingly focused on leveraging their health care dollars by partnering with those who can demonstrate proven value and improved health care status for employees and their families.

We remain committed to health care reform that improves health care quality, lowers costs and provides coverage to all Americans. We believe, however, that there are several fundamental issues that any legislation must get right in order to maintain the employer-sponsored coverage that now serves most Americans.

In conclusion, as you move forward in considering vitally important health reform legislation, we urge that you keep these core issues in mind which will determine the future of employer-sponsored health coverage which now serves nearly 170 million Americans. We look forward to working with you to achieve health care reform this year.

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