National Coalition on BENEFITS

November 30, 2009

The Honorable Harry Reid
Senate Majority Leader
United States Senate
Washington, D.C. 20510

The Honorable Mitch McConnell
Senate Republican Leader
United States Senate
Washington, D.C. 20510

Dear Majority Leader Reid and Republican Leader McConnell:

We are writing on the eve of a historic debate in the U.S. Senate over the Patient Protection and Affordable Care Act of 2009, the outcome of which will impact all Americans for decades to come. As the designers, purchasers and stewards of the employment-based healthcare system that provides coverage for over 170 million Americans, employers care deeply about the reform effort succeeding – but only if it is the right reform.

Employers have been united and vocal in our belief that health care reform must begin with a fundamental strategy to control costs. As health care costs have continued to rise much faster than the rate of inflation, we need affordable health insurance options for our employees. We are encouraged that the legislation recognizes the critical importance of Employee Retirement Income Security Act of 1974 (ERISA) to the employment-based system. This is a significant improvement over the House-passed bill. The bill also does not include the onerous House restrictions on making future changes to retiree health plans.

At the same time, we believe additional work can and must be done to reach the point where the Patient Protection and Affordable Care Act will succeed in controlling costs.

The Patient Protection and Affordable Care Act includes several provisions that, unless eliminated or significantly modified, will result in unacceptable cost-shifts to employers and employees and are likely to destabilize employer-sponsored coverage. For example:

1. Inevitably, a public health plan option will not operate on a level playing field because the government cannot be both a fair competitor and the regulator in the reformed marketplace, and will shift costs onto employers, as we have experienced with Medicare and Medicaid

2. Additional mandates and penalties are not welcome in today's difficult economy.
3. An annual tax on health insurance and the administration of self-insured plans will directly add costs to employers and employees for health coverage with no added benefit whatsoever to employees and their families.
4. The taxation of the retiree drug subsidy contradicts Congress' intent to encourage employers to continue sponsoring prescription drug coverage for Medicare-eligible retirees and reduce the government's cost of the Part D program if these benefits are paid for by Medicare instead of employers. In addition, due to accounting standards, those Companies that have been providing the benefit, will have to take a large hit to their financial statements the day the bill is signed into law.
5. The tax on "high cost" plans, if it remains, needs to be applied in a more equitable manner including further increasing the tax thresholds, accounting for demographic and other risk differences in individual company workforces, by adjusting the cap based on medical inflation rather than CPI +1 percent, and removing high cost retiree plans from the calculation of the tax.

We also oppose provisions or amendments that would add significant new burdens on employers in the form of additional costly or restrictive mandates or require employers to provide a "voucher" for health coverage to employees who opt-out of the employer's plan and obtain coverage in a health insurance exchange.

We will continue to work to achieve responsible health reform legislation as the Senate considers these critical issues in the weeks ahead. However, if the Senate bill is not improved through the amendment process, we will have no alternative other than to oppose any measure that does not deliver on the promise of bending the cost curve and building on -- not diminishing -- our employer-sponsored health system.

Sincerely,

Martin Reiser
Chairman, National Coalition on Benefits