

February 11, 2009

TO THE MEMBERS OF THE UNITED STATES CONGRESS:

We strongly urge House-Senate conferees on H.R. 1, the “American Recovery and Reinvestment Act” to reject provisions from the House-passed legislation, which would allow an indefinite period of COBRA coverage for those who lose employment and are COBRA-eligible and are 55-years or older, or who have ten or more years of service with their employer. Eligibility for expanded COBRA coverage would extend until the individual reaches Medicare eligibility. PricewaterhouseCoopers estimates that this provision would add between \$39-65 billion over ten years to the already high cost of employer-sponsored coverage. The cost of health care must be addressed and lowered so that more Americans can afford insurance. However, expanding COBRA is not a viable way of covering the uninsured—especially under current economic times.

Under the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA), employers with at least 20 employees must allow those employees and their dependents to continue coverage under the employer’s health plan if the employee is discharged, an employee’s hours are reduced, or there is a change in family status. The duration of COBRA coverage is typically 18 months. Although COBRA enrollees may be required to pay up to 100 percent of their premiums and an additional two percent fee to cover administrative costs, this fee does not cover the true costs of COBRA – in fact, a recent study found that COBRA enrollees cost employers about 45 percent more. Although the higher costs of COBRA coverage present a challenge to employers, they have been able to cope with these costs because they take place on a small scale and for a limited time period.

COBRA continuation of coverage was originally intended to be of short-term assistance to those who lose their employment-based health coverage for a temporary time frame, not to become a permanent source of coverage. While we understand Congress’s desire to temporarily subsidize COBRA coverage to help those workers who lose their jobs as provided in the Senate-passed bill, we urge you not to accept the House-passed expanded COBRA provisions.

The undersigned organizations appreciate Congress’ desire to improve the economy, but oppose these expanded COBRA provisions that could greatly exacerbate already daunting health care costs for employers. While it is appropriate for Congress to offer aid to displaced workers, this aid should not be implemented in a way that could further seriously burden the economy.

We look forward to working with you through the upcoming conference and during implementation.

Sincerely,

American Benefits Council  
Corporate Health Care Coalition  
The ERISA Industry Committee  
HR Policy Association  
National Association of Manufacturers  
National Association of Wholesaler-Distributors  
National Business Group on Health

National Federation of Independent Business  
National Restaurant Association  
National Retail Federation  
Retail Industry Leaders Association  
Society for Human Resource Management  
U.S. Chamber of Commerce