



## AMERICAN BENEFITS COUNCIL

October 2, 2008

The Honorable George Miller  
Chairman,  
Committee on Education and Labor  
U.S. House of Representatives  
Washington, DC 20515

The Honorable Howard P. "Buck" McKeon  
Ranking Member,  
Committee on Education and Labor  
U.S. House of Representatives  
Washington, DC 20515

Dear Chairman Miller and Ranking Member McKeon:

I am writing on behalf of the member companies of the American Benefits Council (the "Council") to correct a statement made by a member of the Committee concerning the Council's position on health care reform and to share our views with you on the Emergency Retiree Health Benefits Protection Act of 2007 (H.R. 1322). I respectfully request that this letter be included as part of the Committee's record for the September 25, 2008 hearing on H.R. 1322.

The Council's approximately 275 members are primarily major U.S. employers that provide employee benefits to active and retired workers, and do business in most, if not all, states. The Council's membership also includes organizations that provide services to employers of all sizes regarding their employee benefit programs. Collectively, the Council's members either sponsor directly or provide services to retirement and health plans that cover more than 100 million Americans.

### **Correction of the Council's Position on Presidential Candidates' Health Reform Proposals**

During the September 25 hearing on retiree health care coverage, Representative Joseph Courtney (D-CT) incorrectly implied that the American Benefits Council had evaluated the health reform proposals of the two Presidential candidates and favors Senator Obama's approach because Senator McCain's approach would be disruptive to the employer-based health care system.

We wish to correct the record on this point because, in fact, the Council has not endorsed the overall reform proposals of either candidate. There are elements of each

candidate's proposals that we support and aspects of each proposal that we oppose. We assume that Rep. Courtney's reference to the Council's position was based on an incorrect media account of the results of a survey we recently conducted.

The Council recently released a survey of our members' and other corporate executives' views on health care policy that we conducted in partnership with Miller and Chevalier, Chartered. By wide margins -- and regardless of their personal political affiliation -- the responses to the survey indicate that corporate benefits professionals have serious concerns with aspects of both Presidential candidates' proposals. Respondents noted that Senator McCain's proposal to repeal the tax exemption for employer-sponsored health coverage and Senator Obama's proposal to compel employers to "pay or play" would both have a negative impact on American workers.

The Council looks forward to working with the next President, as well as both Republicans and Democrats in Congress, to craft health reform proposals consistent with the Council's views. These include, among many other features, retention of the federal framework for employer-sponsored health coverage as well as a much stronger emphasis on strategies to contain costs and promote better quality health care in conjunction with addressing gaps in health care coverage.

### **Concerns Regarding H.R. 1322**

The Council and its members feel strongly about the importance of health care coverage for this nation's retirees. Older Americans need health care coverage to ensure that they can retire with dignity and security.

H.R. 1322 would create a new guaranteed benefit that, in many instances, was never promised by the employer and that would have a retroactive effect. Additionally, the bill would punish employers who had continued to provide retiree health benefits when other employers had either terminated such programs or never offered such benefits.

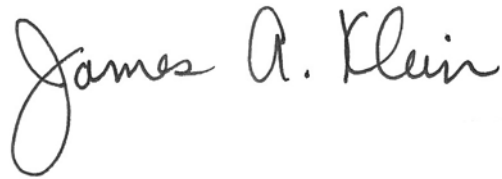
In short H.R. 1322 would have unintended negative consequences. A better solution lies in a broader approach that addresses the causes of the retiree health care problem. Further, we must reform the health care system so that employers can afford to provide retiree health coverage. This means:

- Curbing the increase in health care costs and increasing the quality of care,
- Providing efficient funding mechanisms to pay for retiree health care (such as permitting retirement plan assets to be used on a pre-tax basis for retiree health coverage) and
- Allowing all retirees to have a deduction for the cost of health coverage when they have no access to an employer plan.

In addition, the Department of Labor could create a model notice stating clearly that employers may retain the right to change or terminate retiree health care benefits. Such notice could provide clarity with respect to the rights of employers and retirees, and could thereby serve to improve the ability of all parties to plan for the future.

Thank you for your consideration of our views.

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