

HEALTH CARE FOR AMERICA NOW!

September 16th, 2009

The Honorable Max Baucus
Chairman, Senate Finance Committee
511 Hart Senate Office Building
Washington, DC 20510

Dear Chairman Baucus:

Thank you for releasing the America's Healthy Future Act and your diligent work on the urgent problems facing our nation's health care system. We have reviewed the legislation from the perspective of Health Care for America Now's Statement of Common Purpose, the principles that guide our coalition. We wanted to share our suggestions for modifications to the proposal which we believe would further our common goal of providing good, affordable health coverage to all in a system that is economically sustainable for our families, employers and nation.

Health Care for America Now's primary focus is on reforms that will guarantee that every American has health care that is affordable and covers all medically necessary health care services. We believe that to achieve that goal, the legislation you have proposed should be modified in several ways. Unfortunately, our analysis concludes that as proposed, the America's Healthy Future Act would not achieve the goals of providing good, affordable health coverage to all. We hope that you will make the following changes to the legislation, either before it is considered by the Finance Committee or through amendments in the Committee.

Establish employer responsibility to provide good, affordable health coverage to employees: A primary tenet of health care reform supported by HCAN and by President Obama is shared responsibility by employers, individuals and government to help pay for health coverage. However, the legislation does not require employers to provide or contribute toward coverage. In fact, we believe the free-rider provision would encourage employers to offer bare-bones coverage with high out-of-pocket costs – with little or no employer contribution – in order to avoid paying a penalty for employees receiving tax credits in the exchange. The penalties also incentivize employers to discriminate against workers more likely to receive bigger tax credits in the exchange, including workers who are older, married, have lower-incomes, or have children. Instead, we ask that you require all employers, except for small, low-wage employers, to contribute a meaningful amount toward the cost of insurance with comprehensive benefits or to pay into the system, either a fixed amount or a percentage of wages.

Ensure that good health coverage is affordable through the exchange: A basic promise of health care reform is good, affordable coverage available to all. In this regard, the proposal falls far short of the legislation approved by Senate HELP or the three House committees. Unfortunately, the tax credits offered in the exchange and the high out-of-pocket costs associated with low actuarial value plans will result in health coverage that is not affordable for a great many people at all income levels. For example, a family that earns \$66,000 would have to pay \$716 a month for coverage, twice as much as a member of Congress pays for a plan with much higher out-of-pocket costs. In addition, the legislation would force much higher premiums on older people. We are troubled that the insurance industry, rather than a public or medical body, has sole discretion to define benefits, except for very broad benefit categories. We urge you to modify the legislation to: reduce the amount, as a percentage of income, that families are required to pay for premiums; increase the actuarial value of plans; eliminate rating for tobacco use and limit rating to 2:1 for age; and require an independent body to specify covered benefits.

Establish a public option to provide competition, lower costs and make insurance companies accountable: As proposed, the legislation provides a government-subsidized monopoly for private insurers. A robust public health insurance option should be created to effectively compete against a private insurance industry that has failed to control costs or provide health coverage to Americans when they need it the most. This option should be established on a level playing field nationally, available on day one, publicly accountable, and have the authority, like Medicare, to establish rates that pay providers fairly. The co-op proposal will not meet these objectives. State-based, member-controlled co-ops will not have the ability to lower costs or compete with powerful health insurance companies that have long-established provider networks, contracts with employers, significant capitalization, and large customer bases.

Provide progressive revenue sources that do not increase cost of coverage: The 35% insurance excise tax is a tax on working families that will discriminate against older and unionized workers and workers in more hazardous jobs and will punish people who are fortunate enough to have good benefits. Employers have worked hard to cut costs to the bone in recent years, and their response to an excise tax will be to cut employee benefits to get under the tax cap. In many industries and parts of the country, a \$21,000 health plan is not extravagant - it's a direct result of older workforces, risky occupations and uncompetitive insurance market conditions. Progressive financing should be found. For instance, taxing the highest-income Americans, limiting itemized deductions, or extending the Medicare tax to unearned income can all generate substantial revenue.

The Federal government should pay for the cost of newly eligible Medicaid beneficiaries: We applaud the increase in Medicaid eligibility, which would make health care affordable to low-income Americans. However, we would urge that the Federal government pay for the full cost of newly eligible Medicaid beneficiaries rather than requiring states to shoulder this burden.

Establish a temporary catastrophic reinsurance fund for early retirees: We encourage the establishment of a temporary catastrophic reinsurance program to encourage employers to continue coverage for early retirees age 55-64. Without this assistance, employers would likely push early retirees into the exchange, where they will face the highest premiums (5:1 age rating) for coverage with fewer benefits and higher out-of-pocket costs.

Assure that all residents receive equal access to health coverage: We believe that legal immigrants should have access to affordable coverage in the same way as American citizens. We support the provision providing legal immigrants access to tax credits through the exchange. Legal immigrants also should be eligible for Medicaid without a waiting period and should not be subject to excessive verification requirements. In addition, no one, regardless of immigration status, should be barred from using their own funds to purchase insurance through the exchange.

Protect the ability of states to regulate health coverage: States have a long history of regulating health insurance and many states have enacted important protections on underwriting practices, minimum benefits, and consumer protections on insurance company practices, such as claims review and processing and providing information to consumers. Health care reform should provide a strong national floor for consumer protections but should not undermine the ability of states to provide stronger consumer protections. Insurers should have to follow the laws of each State in which their product is sold.

We recognize your commitment to crafting significant health reform that is fiscally sustainable for the nation and improves the lives of Americans, and we acknowledge the immense challenges involved in this undertaking. We urge continued improvement of this proposal and are committed to working with you to guarantee quality, affordable health coverage for all.

Sincerely,

A handwritten signature in black ink, appearing to read 'R. Kirsch', with a large, stylized flourish at the end.

Richard Kirsch
National Campaign Manager
Health Care for America Now