



December 19, 2009

Dear Senator:

I write on behalf of the members of the International Franchise Association (IFA) to urge you to oppose H.R. 3590, the Patient Protection and Affordable Care Act. The franchise business community is committed to reform of our nation's health care system, but this bill fails to achieve meaningful, long-term control of U.S. health care costs. Therefore, **the IFA will consider votes on this measure among our list of "Key Votes."**

As the largest and oldest franchising trade group, the IFA's mission is to safeguard the business environment for franchising worldwide. IFA represents more than 85 industries, including more than 11,000 franchisee, 1,200 franchisor and 600 supplier members nationwide. According to a 2008 study conducted by PricewaterhouseCoopers, there are more than 900,000 franchised establishments in the U.S. that are responsible for creating 21 million American jobs and generating \$2.3 trillion in economic output.

The IFA's number one priority for health reform legislation is to ensure that health insurance is more affordable for franchised businesses and their employees. There is no doubt that the status quo is untenable and makes health insurance unaffordable for many small employers and their employees. For several years, the IFA has supported legislation that would enable small employers to band together through national associations or franchise systems to purchase health insurance. H.R. 3590 contains a provision to facilitate pooling for individuals and small employers through "exchanges," and we support this provision. Nevertheless, we continue to have serious concerns that this legislation is estimated to cost well over \$2 trillion in the next ten years. Much of the revenue necessary for this new federal spending will come from small franchised businesses through a series of taxes and penalties. Some taxes, such as the annual "health insurance fee" will begin as soon as FY2011, however reforms to the health insurance market that will assist small employers do not begin until 2014. Furthermore, the increased Medicare payroll tax on incomes over \$200,000 per year will impact many small franchised business owners that pay taxes at the individual rate.

Additionally, many aspects of this legislation will add costs and administrative burdens for franchised small business owners. H.R. 3590 establishes an employer mandate to provide health insurance coverage to employees. If employers do not purchase coverage, they must pay a penalty of \$750 per full-time worker. While part-time and seasonal workers are excluded from this requirement, the legislation; however, defines a full-time employee as one who works at least four days per week. If passed, this legislation would be headed toward a conference with an unacceptable House-passed measure that the Joint Committee on Taxation has confirmed will levy \$150 billion in new taxes on business, mostly small employers.

We are also concerned that H.R. 3590 will require employers to automatically enroll employees in a health care plan after 30 days from hiring. Some franchise businesses typically experience higher employee turnover rates than other employers. The automatic enrollment language of H.R. 3590 will impose significant costs on these franchised small businesses, and amendments

that would have eased these administrative burdens have not been included in the final legislation.

Finally, this legislation empowers the federal bureaucracy to determine an “essential benefits package,” ultimately requiring employers to contribute toward a package they otherwise cannot afford. In this regard, we view H.R. 3590 as intended to eliminate all flexibility for employers to design a benefits package for their employees that is affordable. This inflexible, one-size-fits-all approach betrays a bias toward mandating coverage rather than curbing costs that we find pervasive in the provisions of H.R. 3590 and will be a recipe for small business failure and job losses.

H.R. 3590 is a significant government intrusion into the benefits decisions of employers and it clearly fails IFA’s basic test of enhancing coverage option for small employers without increasing cost. In order to comply with the new requirements in this legislation, franchised businesses would have to scale back wages, reduce hiring and raise prices for services. These measures will significantly threaten economic recovery and curtail future job growth.

We respectfully urge all Senators to reject this legislation and instead support proposals that will restrain health insurance costs for franchised businesses. **The IFA urges you to oppose H.R. 3590, the Patient Protection and Affordable Care Act, and we will consider all votes on this measure among our annual list of “Key Votes.”**

Sincerely,

A handwritten signature in black ink, appearing to read "David French". The signature is stylized and cursive.

David French
Vice President, Government Relations