

December 7, 2009

To All Members of the U.S. Senate:

Perhaps no sector has been more passionate and active than the small business community in working to advance reforms that lower health coverage costs. The competitiveness and growth of small businesses today are hindered by skyrocketing health costs, and the reforms we have long-advocated center on lowering costs and improving choices without placing undue burdens on the private sector and taxpayers. The “Patient Protection and Affordable Care Act” (HR 3590) is not aligned with the sensible changes small businesses have long sought – that is, a reformed private insurance market offering greater choice of plans at affordable rates.

The undersigned organizations believe HR 3590 will lead to higher costs and increased burdens on small businesses. The bill will cause greater damage to our economy and health care system.

We write not only in opposition to HR 3590, but also to express our view that tinkering around the edges with minor measures (e.g. with adjusting tax subsidies) aimed towards “improving” its effectiveness for small businesses will not mollify or eliminate our grave concerns about the bill’s far-reaching impact on business costs, the economy and our nation’s health care system.

Meaningful and serious reform legislation will reduce health coverage costs and bend the cost trajectory down – not only for public plans, but most importantly for individuals and businesses of all sizes. HR 3590 does not measure up to this key objective. The Congressional Budget Office (CBO) has reported that various measures in the bill will not reduce costs for small firms and entrepreneurs. In fact, the bill will impose new burdens on small businesses. According to the CBO:

- It is projected that proposed new taxes on health benefits, health insurance, prescriptions, medical devices, and reduced payments to hospitals would result in significant cost increases that will be passed on directly to employers and employees, making health insurance more expensive, not less;
- For self-employed business owners who purchase coverage in the individual market, policies would be 10 percent to 13 percent higher in 2016 than the same coverage under current law;
- In the small group market, HR 3590 will not lead to a meaningful decrease in costs. The status quo is unacceptable to small businesses as current costs are unsustainable. The small business community has been promised that health care reform will lead to lower costs. The CBO analysis, as well as an array of private sector studies, concludes that HR 3590 will not lead to significant decreases in costs -- an essential element of reform for small businesses; and
- The employer mandate in the legislation will lead to job loss and lower wages as health care cost increases crowd out the compensation pool.

In order to finance part of its \$2.5 trillion price tag, HR 3590 imposes new taxes, fees and penalties totaling nearly half a trillion dollars. This financial burden falls disproportionately on the backs of small business. Small firms are in desperate need of this precious capital for job creation, investment, business

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expansion and survival. The proposed Medicare payroll tax will disproportionately burden small businesses, and its AMT-like design will pull more small firms into its destructive web with the passage of time. Onerous new reporting requirements that increase taxes and fees by \$17 billion further handicap small businesses that already face a challenging and costly regulatory environment.

The creation of a government-run health plan will place the private health insurance market at a competitive disadvantage, and we are deeply concerned that the “public option” will merely shift costs to the private sector and employees covered by private plans due to inadequate public plan reimbursement. Over time, and given its competitive advantage, government-run health insurance will drive out private insurers and therefore limit choices for small business owners.

Focusing on achieving a more competitive and responsible private health insurance market is a better approach – this means allowing consumers greater access to the more than 1,000 private insurance companies in the U.S., and allowing small businesses to form meaningful risk pools and enter new insurance exchanges. Creating a new entitlement will be costly for our nation at a time when we can least afford it, and in the end small businesses face the prospect of higher taxes -- above and beyond what has been proposed in HR 3590 -- in order to subsidize the government plan.

HR 3590 aims to help small businesses by offering a limited and temporary tax credit that only a fraction of small businesses will be qualified to access. Even if the tax credit were substantially enhanced and lengthened, the overall cost of HR 3590 to taxpayers and our economy -- combined with the specter of the status quo at best when it comes to premium costs, on top of tax increases, mandates, government-designed insurance and harsh penalties -- far outweigh minor attempts to fix a bill that is flawed in its overall approach.

Perhaps the best example of the fundamental failure of the Senate bill to address the cost containment concerns of the small business community is the way the bill taxes and regulates successful cost containment approaches like health savings accounts (HSAs) or flexible spending accounts (FSAs). These popular benefit programs have shown that they can contain health insurance costs, promote wellness programs and encourage informed health care choices. The Senate bill, however, taxes contributions to FSAs beyond \$2,500, and it will subject the eventual survival of HSAs to a government panel likely to adopt rules to smother these plans completely. Small businesses need more choices and more flexibility in plan design in order to curb costs, but the Senate's treatment of these two programs makes clear that more taxes and more regulation will supplant choice and markets in health care if this measure is enacted.

We strongly urge the Senate to start over and begin work on a new legislative approach that addresses the concerns of America's small businesses. We urge the Senate to craft a package that will lower premium costs and improve competitive choices for all businesses through sensible market reforms, rather than overhauling the entire health care system at a cost that places our entire economy and small business sector at risk. We stand ready, as always, to assist in this regard.

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Sincerely,



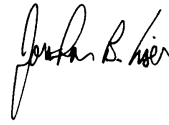
Geoffrey Burr, Vice Pres-Government Affairs
Associated Builders and Contractors



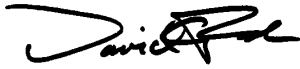
Stephen E. Sandherr, Chief Executive Officer
Associated General Contractors



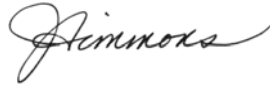
Brian Worth, Vice Pres for Government & Public Affairs
Independent Electrical Contractors



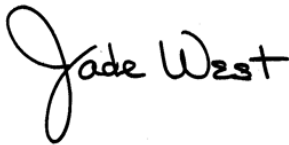
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