



November 5, 2009

Dear Representative:

I write on behalf of the members of the International Franchise Association (IFA) to urge you to oppose H.R. 3962, the Affordable Health Care for America Act. While the IFA is committed to reform of our nation's health care system, we cannot support reform at any price. We do not believe that this legislation achieves meaningful, long-term control of U.S. health care costs. Therefore, **the IFA may 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 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. 3962 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 over \$1 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 tax surcharges and penalties.

Many aspects of this legislation will add costs and regulatory burdens for franchised small business owners. H.R. 3962 establishes an employer mandate to provide health insurance coverage to employees. If employers do not purchase coverage, they must pay a tax penalty of up to 8 percent of total payroll. H.R. 3962 also establishes a tax surcharge of up to 5.4 percent on adjusted gross incomes in excess of \$500,000. This surcharge will impact many franchised business owners who report income on their individual returns, and the Joint Committee on Taxation has confirmed that this legislation will levy \$150 billion in new taxes on business, mostly small employers. Furthermore, these thresholds are not indexed and will amount to a marginal tax hike that strongly discourages franchise owners from expanding their business or adding new jobs. Like the experience many have had with the AMT, these proposed tax penalties would eventually expose many more small firms to new mandates and requirements they cannot afford.

We are also concerned that H.R. 3962 will require employers to offer insurance coverage and automatically enroll employees in a health care plan after 30 days from hiring. Many franchisees rely on part-time or seasonal employees to handle increased demands for the services they provide consumers, and the significant costs they will face from automatic

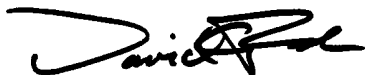
enrollment of part-time and transient employees will be particularly harmful to franchised small businesses.

Finally, this legislation empowers the federal bureaucracy to determine an “essential benefits package,” and requires that an employer contribute at a minimum toward 72.5 percent of individual coverage and 65 percent of family coverage. A 2009 Kaiser Family Foundation survey shows that at least 30 percent of firms with fewer than 200 employees that now offer insurance would fail to meet the new threshold for family coverage, and about 20 percent would fail to meet the threshold for individual coverage. In this regard, we view H.R. 3962 as intended to eliminate all flexibility for employers to design a benefits package their business can afford. 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. 3962 and will be a recipe for small business failure and job losses.

H.R. 3962 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 mandates required by H.R. 3962, franchised businesses would have to scale back wages, reduce hiring and raise prices for services. These measures will further stunt any economic recovery and curtail future job growth.

We respectfully urge the House of Representatives to reject this legislation and instead support proposals that will restrain health insurance costs. **The IFA urges you to oppose H.R. 3962, the Affordable Health Care for America Act, and we may consider 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