

December 1, 2009

The Honorable Harry Reid
Majority Leader
United States Senate
Washington, D.C. 20510

Dear Senator Reid:

On behalf of our five million members, we applaud your dedication and sustained hard work on moving forward with a health care reform agenda. As the Senate begins debate on the “Patient Protection and Affordable Care Act,” we are deeply troubled that the legislation would impose an excise tax on health care plans whose costs exceed certain benchmarks.

While we appreciate the significant challenges inherent in paying for quality health insurance reform we need and support, we continue to believe that an excise tax on high-cost health care plans is both bad politics and bad policy. In fact, the tax would have a devastating impact on exactly the type of good, comprehensive health care plans reform should be promoting.

The proposed exorbitant tax, rather than curb excessive benefits for executives, would adversely impact millions of workers under collectively bargained health plans. While the tax is on insurance companies that offer plans above a certain threshold, this additional cost would simply be passed along to workers. Both employees in the private and public sectors could possibly have their benefits reduced or premiums raised.

According to the Joint Tax Committee, by 2019 about one-third of all health care plans will be impacted by this tax because the thresholds for the tax are tied to an index that fails to measure rising costs of health care plans. For example, the 2010 premium for the Federal Employees Health Benefits Plan’s most popular plan offered by Blue Cross/Blue Shield increased 8.5 percent for family coverage while the Consumer Price Index plus 1 inflation index for the threshold would not have lifted the benchmark floor at all. More significantly, health insurance premiums vary based upon demographics, local health care markets, and other variables. Health plans are much more expensive for older and sicker workers and those who often need specialized health care services, such as women of childbearing age. If this tax were implemented, employers would more than likely cut benefits to reduce their costs.

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Page two

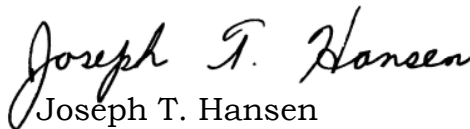
The excise tax would have a discriminatory impact on plans that happen to cover older workers and retirees, or workers in high cost regions or high risk occupations or plans primarily serving women. Moreover, the net result of the 40 percent excise tax will be to force many plans to cut back important health care benefits. Plans likely will eliminate dental and vision care, and increase substantially co-pays and deductibles. Further, the excise tax perversely may encourage employers to cut back on family coverage.

We know that health insurance reform can be paid for through cost savings both inside and outside of the health care system without a new excise tax on insurance plans. As the debate moves forward, we urge you to continue to look for ways to eliminate the excise tax and develop a program that does not penalize our members.

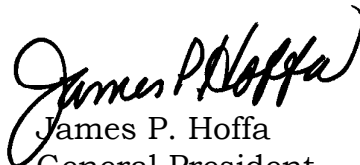
Sincerely,



Larry Cohen
President
CWA



Joseph T. Hansen
International President
UFCW



James P. Hoffa
General President
IBT



Dennis Van Roekel
President
NEA



Fredric V. Rolando
President
NALC