



Dirk Van Dongen
President

October 30, 2009

Honorable Nancy Pelosi, Speaker
U.S. House of Representatives
Washington, DC 20515

Honorable John Boehner, Republican Leader
U.S. House of Representatives
Washington, DC 20515

Dear Madame Speaker and Leader Boehner:

The National Association of Wholesaler-Distributors (NAW) opposes H.R. 3962, the *Affordable Healthcare for America Act*. This legislation takes an approach to reform that is completely contrary to free market principles and will result in higher health care costs and taxes.

NAW members, 90% of which *voluntarily* offer employer-paid health benefits to their employees, support health care reform. For several years, wholesaler-distributors have had to take a variety of steps that have had the effect of increasing their workers' out-of-pocket medical expenses in order to merely restrain spiraling premiums, 72% of which on average are *voluntarily* paid by the employer. Our members have therefore looked to the Congress to advance legislation that will bend down the cost curve, check these skyrocketing costs and make it possible for them to continue to provide the quality health benefits their employees need and want. For them, and particularly for those wholesaler-distributors who want to provide health benefits to their workers and simply cannot afford to do so, the *Affordable Healthcare for America Act* is a stunning disappointment.

Like its predecessor (H.R. 3200, America's Affordable Health Choices Act of 2009), H.R. 3962 imposes a "pay or play" mandate on employers to offer health insurance benefits to employees and to pay a substantial portion of the premium (72.5% for workers, 65% for families) or pay a new payroll tax of up to 8%. This does nothing to address the central problem of cost employers now face in providing health benefits to their employees, will do nothing to relieve employers of the staggering premium increases with which they have been burdened in recent years and will increase that burden for some. Enactment of an employer mandate will come primarily at the expense of workers' jobs and wages which already suffer from the effects of an economic downturn unmatched in 70 years. NAW-affiliated employers strongly oppose *any* employer mandate, "pay-or-play" or otherwise.

Rather than include provisions that will adequately enhance the competitiveness of private insurance markets such as the authorization of interstate insurance sales or national plans free of state mandated benefits requirements, H.R. 3962 puts in place a public plan option to "compete" with private health plans. Because a government-run plan will *never* exist on a "level playing field" with private plans, we are deeply concerned that the public plan's sub-market rates will result in costs being shifted onto private, usually employment-based plans as is now the case

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NATIONAL ASSOCIATION OF WHOLESALER-DISTRIBUTORS

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October 30, 2009

Page 2

with Medicare and Medicaid. Beyond that, the public plan's competitive edge ensures first the disruption and ultimately the demise of private health insurance plans including valuable employment-provided plans, the end of free market competition and choice, and the inevitability of a single-payer care-rationing health care system in the United States. We oppose any "reforms" that would serve to undermine the voluntary employment-based health insurance system, a single-payer system or the creation of any government-run public plan option.

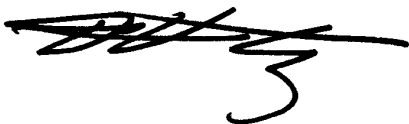
The benefits standards qualified health plans will be required to meet and the details of covered health benefits in what appears to be an rich and overly-expensive "essential benefits package" will be done administratively through a newly-created "Health Benefits Advisory Committee". We are concerned that this panel could render overly generous benefits decisions that will drive up health care costs for everyone. We believe these decisions are best left where they are today: in the private sector with health care providers, patients, insurers and health plans sponsors, and should not be transferred to an unelected committee that is unaccountable to the public.

We are disappointed that H.R. 3962 is virtually silent on the subject of litigation reform. The effect of the nation's medical liability system on health care costs as a function of its impact on providers' malpractice insurance premiums and over utilization as a result of the practice of defensive medicine has been the subject of extensive commentary in recent years. It seems clear that any serious attempt to bend the cost curve down must include a determined effort to meaningfully address medical liability reform, something the *Affordable Health Care for America Act* simply fails to do.

Finally, we are strongly opposed to any tax increases to finance the additional spending in this bill. We particularly object to the proposed \$460 billion income tax surcharge that will fall with particular force on small businesses that pay taxes at individual rates.

The *Affordable Health Care for America Act* proposes "reforms" that do not build on what works in our health care system in order to lower costs and expand coverage. Consequently, we oppose this legislation and will designate votes taken in connection with House consideration of H.R. 3962 as "key votes" for the 111th Congress.

Cordially,

A handwritten signature in black ink, appearing to read 'Dirk Van Dongen', with a stylized flourish at the end.

Dirk Van Dongen
President

cc: Members of the U.S. House of Representatives