



January 8, 2010

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

Dear Madam Speaker:

The Alliance of Community Health Plans (ACHP) appreciates your leadership in securing House passage of the Affordable Health Care for America Act (HR 3962). ACHP believes that all Americans should have health care coverage and that the best way to achieve the goals of access and delivery system reform is through shared responsibility among individuals, employers, health plans, and government.

ACHP members are non-profit, community-based and regional health plans or subsidiaries of non-profit health systems that provide coverage and care for approximately 18 million Americans and 15 percent of Medicare Advantage enrollees. Our plans predominantly serve individuals purchasing insurance and small and mid-sized businesses. You will find among the signatories below many of the high-performing health plans cited by the President and Congressional leaders as models of coordinated care or integrated delivery systems. We share longstanding commitments to our communities, close partnerships with providers, and substantial investments in the infrastructure necessary to provide coordinated, affordable, and high quality care.

As you move towards final legislation, we wanted to bring to your attention a matter of substantial concern to community-based health plans: the proposed annual fee on health insurance providers that was incorporated into the Senate-passed bill. This tax undermines important policy goals of health reform legislation and we urge you not to include this provision in final legislation

Section 9010 of the Senate bill as further amended by Section 10905 would impose a tax on the premium revenue of health plans. While any tax imposes certain burdens, this provision is particularly burdensome because it is not allocated equitably: the tax would apply to fully insured health coverage – which is common to the individual and small employer market – but not to self-insured coverage, which dominates the large employer market. For this reason, the Joint Committee on Taxation has noted that much of the proposed tax will be passed through to individual purchasers of insurance and small and mid-sized businesses – exactly those groups for whom Congress is trying to make coverage more affordable.

In addition to applying only to fully-insured coverage – that is, health plans that bear full risk for their commercial products – the tax also would be assessed against revenue of health plans providing coverage in public programs, including Medicare and Medicaid.

**MAKING HEALTH CARE BETTER**

A large portion of the coverage provided by community-based health plans such as those in the Alliance of Community Health Plans is for individuals as well as small and mid-sized businesses that cannot self-insure but who have provided coverage for their employees. Premium revenue from this coverage is disproportionately targeted by the Senate's tax, thereby imposing a heavy burden on community-based health plans such as our organizations. For many of our plans, the tax may equal or exceed current margins. As non-profit plans or subsidiaries of non-profit health systems, our operating margins are used solely to meet the needs of enrollees and to maintain state-mandated funding requirements; we will have no choice but to pass through the costs in higher premiums, higher cost-sharing, and lower benefits.

The tax also undermines other Congressional efforts in health reform legislation to promote coordinated care and integrated delivery. President Obama and Congressional leaders have spoken about the need to move away from the volume-based incentives inherent in fee-for-service payment and toward methodologies that reward quality and efficiency. But this tax pulls in the opposite direction by creating a strong incentive for any business that can self-insure to do so. Because self-insured groups are generally restricted from shifting risk to other entities, self-insurance is largely based on fee-for-service payment. The tax therefore will encourage more volume-driven, fee-for-service medicine. It places health plans that have adopted alternative payment approaches at a competitive disadvantage, discouraging efforts to transform the delivery of care, improve quality, and lower costs.

Madam Speaker, this discriminatory tax asks community-based and regional health plans to accept an unfair and counterproductive burden that will increase premiums and reduce benefits for individuals and small and mid-sized businesses. It will also impede movement toward a more efficient health care system that should be moving away from the perverse incentives of fee-for-service delivery and toward more coordinated approaches. We urge you not to include the Senate's provision in final health care reform legislation.

We hope to communicate with you further about other significant issues in the legislation, but were particularly concerned that we bring to your attention now this tax issue which threatens the competitiveness of these high performing health plans. We would be happy to discuss these concerns and recommended alternatives with you and provide further information. Patricia Smith, ACHP President and CEO, can facilitate those conversations. She can be reached at 202-785-2247 or [psmith@achp.org](mailto:psmith@achp.org).

Thank you for your leadership and consideration of this issue.

Sincerely,

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