

MARK BEGICH  
ALASKA

COMMITTEE ON ARMED SERVICES

COMMITTEE ON  
COMMERCE, SCIENCE, AND TRANSPORTATION

COMMITTEE ON VETERANS' AFFAIRS

## United States Senate

WASHINGTON, DC 20510

SUITE SR-144  
RUSSELL BUILDING  
WASHINGTON, DC 20510  
(202) 224-3004

SUITE 750  
510 L STREET  
ANCHORAGE, AK 99501  
(907) 271-5915

January 6, 2010

The Honorable Senator Harry Reid  
Majority Leader  
522 Hart Senate Office Building  
Washington, D.C. 20510

The Honorable Senator Max Baucus  
Chairman  
Senate Finance Committee  
511 Hart Senate Office Building  
Washington, D.C. 20510

The Honorable Senator Tom Harkin  
Chairman  
Senate Committee on Health, Education, Labor and Pensions  
731 Hart Senate Office Building  
Washington, D.C. 20510

Dear Majority Leader Reid, Chairmen Baucus and Harkin:

Thank you for your continued leadership on health reform. I was proud to vote for the Patient Protection and Affordable Care Act – it is landmark legislation each of you worked tirelessly to bring from concept to reality. You are to be commended for your efforts. Despite the current politicking against the bill from naysayers and defenders of the status quo, millions of Americans understand and support this historic accomplishment. I believe many of those with questions and concerns will come around, too.

As each of us and others have stated repeatedly, we know health reform legislation and its eventual enactment is a work in progress that we will continue to improve over time. In this spirit, as negotiations begin with the House over the final version of the bill I am concerned about three specific elements of pending reform.

### **Excise tax on health insurance plans**

As you know, beginning in 2013 the Senate bill would levy an excise tax of 40 percent on health insurers for any plan costing more than \$8,500 for singles and \$23,000 for families. While Alaska and other high-cost states will temporarily benefit from a three-

year transition period increasing the threshold, in later years the threshold indexing built into the bill (Consumer Price Index plus 1 percent) is not sufficient to prevent the tax from affecting more and more individuals and families. I understand the intent is to force the design of more efficient and less costly plans – and thus slow the overall growth of health care spending – but I believe the actual effect of this tax will harm middle-class workers and their families. The Congressional Budget Office says the tax as currently structured would, by 2016, affect 19 percent of workers with employer-provided health coverage. The Joint Committee on Taxation estimates by 2019 one-third of employer-provided family plans would be affected. These are national estimates; in Alaska, where health care costs are higher and insurance plans tend to be more expensive, the impact on middle-income workers is likely to be felt much sooner.

I supported amendments to both raise the tax threshold and to eliminate this tax entirely and instead raise revenue needed for reform through a health tax on the very wealthiest Americans. While neither provision made it into the final Senate bill, I urge you to again consider either option – or some combination of both – in your deliberations with the House. Any changes to threshold amounts must pay special attention to insurance plans for individuals – the cost of many of these plans in Alaska already meet or exceed the dollar amounts included in the current Senate bill.

#### **Added restrictions on employer responsibility**

One of my priorities in health reform is to protect and support small businesses, which provide more than half of all jobs in Alaska. I advocated for and strongly supported a provision to exempt businesses with fewer than 50 workers from employer responsibility mandates. This protection, plus tax credits to help businesses afford insurance for their workers and increased competition in the insurance marketplace, is designed to help small businesses thrive and prosper. However, an amendment was inserted to severely limit this exemption for construction businesses. It says only construction companies with five or fewer employees are exempt from employer responsibility mandates.

I understand the goal: to make sure construction businesses providing benefits to their workers can compete for low-bid contracts on an even playing field with companies who do not. However, the amendment goes too far and will hurt many of America's smallest construction businesses. I urge you to consider two ideas – to allow the 50-and-under exemption to apply to all small businesses (as initially envisioned in the Senate bill) or, as an alternative, to tighten the threshold only for construction businesses competing for larger, more expensive contracts to build commercial properties. Such a compromise, while not ideal, would protect smaller businesses building homes and other small projects.

Senators Reid, Baucus, and Harkin

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**Medicare reimbursement for health providers**

It is time to fundamentally and permanently reform the sustainable growth rate (SGR) formula reimbursing health providers in Medicare. I co-sponsored S. 1776, the so-called "doc fix" bill that would have replaced the current formula. Unfortunately, that bill was not allowed to move forward for floor debate. Now the House has passed similar legislation, H.R. 3961. The Senate, meanwhile, has committed to finding a permanent fix early this year. I strongly urge you to consider the elements of S. 1776 or H.R. 3961 in deliberations over final health reform language. If it is not included in the reform bill, both the Senate and House need to move quickly on separate legislation. To do nothing is unacceptable. Without action, Medicare payment rates are to be reduced by about 21 percent this year, then an additional 2 percent annually for several subsequent years. This is a major problem in Alaska, and in other parts of the country. When health care costs are high and Medicare reimbursements are low and threatened to drop even lower, doctors and other providers cannot afford to take on new Medicare patients. In some cases, providers have opted out of Medicare entirely. In Alaska, where the 65-and-over population is projected to grow faster than any other state over the next decade, we must be able to count on fair and permanent Medicare reimbursement rates.

Thank you again for your leadership and hard work. I urge you to address these issues as negotiations get underway with the House. By taking action now, we can plan on enactment of an even better piece of legislation and move forward more effectively on landmark health reforms.

Sincerely,



Mark Begich  
United States Senator

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