

October 1, 2008

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

The Honorable Max Baucus  
Chairman, Committee on Finance  
United States Senate  
Washington, D.C. 20510

The Honorable Tom Harkin  
Chairman, Committee on Health,  
Education, Labor and Pensions  
United States Senate  
Washington, DC 20510

The Honorable Christopher J. Dodd  
United States Senate  
Washington, DC 20510

Dear Senators Reid, Baucus, Harkin, and Dodd,

The health reform bills you are now merging from the Finance and HELP Committees make a much-needed and laudable improvement in health care coverage. The proposed legislation would increase nationwide eligibility for the Medicaid safety net to at least 133 percent of the federal poverty level, implement key insurance reforms and provide subsidies to help low and moderate-income families buy coverage. We very much appreciate this and thank you.

As you discuss merging the two committee bills, we urge you to take care of four matters that go to the heart of assuring adequate and affordable coverage for all Americans.

Premium Rate Variation

**We urge you to limit premium rate variation based on age and other health and wellness factors to no more than 2 to 1.** A key goal of health reform is to end the longstanding practice of underwriting for age and health. Variation for age as high as 4 to 1 will make insurance unaffordable for the more than 7 million older Americans age 50-65 who now lack health insurance. Risk adjustment contained in the legislation will compensate insurers for the higher costs of less healthy and older enrollees and should make age rating unnecessary.

Affordable and Adequate Coverage

**We urge you to cap premiums and cost sharing for insurance sold in the exchange to no more than 10 percent of income for those earning up to 400 percent of the poverty level, and less for people with more limited incomes.** The Finance and HELP bills cap premiums at 12 percent and 12.5 percent respectively, and peg additional out-of-pocket costs allowed to a percentage of the HSA, topping out at \$11,600 for a family. These costs could easily bankrupt a family facing a serious illness, consuming as much as 25 percent of its pre-tax income. Fixing this problem is critical to protecting family financial security and retaining the integrity of the individual mandate. Finally, we strongly support the provision in the Senate Finance Committee mark which allows workers who would have to pay more than 10 percent of their income for job-based insurance to instead enroll in coverage through the exchange.

**We urge you to ensure coverage is adequate for those who purchase it, and will not leave families “underinsured.”** This means that the actuarial value of the lowest tier plan should not be less than 76 percent, meaning the health plan should provide coverage for not less than 76 percent of the total costs of the benefit. Further, the items and services in the required benefit package should be based on science and developed with the input of patients and consumers, through an open and transparent process.

Medicaid

**We urge you to ensure that the Medicaid improvements are implemented on the same schedule as other health coverage improvements.** The Finance Committee bill delays implementation of the Medicaid improvements until 2014, later than other coverage expansions. It makes little sense to isolate the poor for later help, both because they need help the most and because it leaves the critical Medicaid expansion politically vulnerable to further delay or possible subsequent evisceration.

**We urge you to ensure that newly eligible Medicaid enrollees receive adequate health coverage.** The Finance Committee proposal provides coverage at the “bronze” level for newly eligible Medicaid enrollees -- the least coverage provided in the bill, less than what people with higher incomes will receive through the exchanges. This inequity should be corrected. Fixing this is especially important if states are not allowed to use their discretion to upgrade that coverage.

Thank you for your consideration of these important matters.

Sincerely,

AARP

American Cancer Society Cancer Action Network

American Heart Association

American Public Health Association

Consumers Union

Families USA

National Hispanic Medical Association- National Hispanic Health Foundation

National Partnership for Women and Families

National Patient Advocate Foundation

PICO National Network

Service Employees International Union