



January 22, 2009

The Honorable Charles Rangel
Chair
Committee on Ways and Means
1102 Longworth HOB
Washington, DC 20515

The Honorable Dave Camp
Ranking Member
Committee on Ways and Means
1139-E Longworth HOB
Washington, DC 20515

Dear Chairman Rangel and Ranking Member Camp:

The National Business Group on Health (NBGH) writes to elaborate upon our recent letter of January 12th in which we recognized that, because of the historic nature of this economic downturn, **temporary** federal government subsidies may be necessary and appropriate to help former employees maintain access to health care coverage under the Consolidated Omnibus Reconciliation Act (COBRA). In the meantime, we support meaningful health care reform that provides alternative coverage options for this population as well as all others who do not have access to either employer-sponsored coverage or public programs. However, since our letter, the new proposal in the House Ways and Means Committee's draft version of H.R. 598, the American Recovery and Reinvestment Tax Act of 2009, that would extend COBRA indefinitely to former employees 55 and older and those with 10 years or more tenure in their jobs until they find a new job or until they are Medicare eligible would exacerbate all three of our previously-stated concerns in the letter of January 12th and, furthermore, we have been on record in opposition to such long-term extensions of COBRA. ***We therefore recommend that you remove these indefinite extensions of COBRA from the bill.***

Our recent letter, voiced concern that COBRA was not meant to be a source of long-term coverage, that it actually costs employers and still-active employees who participate in employer plans up to 150% more than the COBRA premium, and it adds to the administrative burden. We further cautioned that "COBRA should not be regarded as a source of long-term coverage as some legislation had proposed in the past."

The National Business Group on Health is the only national organization that represents approximately 300 large employers exclusively on health care and health benefits issues—including 63 of the Fortune 100—that provide health care coverage to over 55 million U.S. employees, retirees, and their families.

As stated in our previous letter, the National Business Group on Health appreciates your efforts to assist former employees maintain access to health care coverage. However, NBGH also believes that COBRA is the wrong vehicle to assist the uninsured on a permanent basis. Rather, NBGH believes that Congress should focus on improving the quality of care and offering more affordable health care choices to reform our nation's broken health care system.

Long-term extensions of COBRA are likely to significantly increase health care costs for those still currently employed and for employers

A number of studies have demonstrated that the actual cost of COBRA coverage can be as high as 133 percent to 150 percent of the average per-employee plan costs. These costs would significantly increase if people could keep COBRA longer as they approach Medicare eligibility and their health care costs generally increase due to higher medical costs and higher rates of chronic conditions.

COBRA is a temporary source of coverage

COBRA should not be considered a long-term source of coverage and was not intended to be one. COBRA coverage, by design, has a length of 18-months and a maximum of 36-months for certain circumstances due to its high cost and the adverse selection issue it raises as people who are more likely to need it elect it and those who do not expect to need health coverage decline it. Both current employees and their employers would face significant cost increases to finance the committee's proposals to indefinitely extend COBRA coverage for former employees who have worked for 10 years or until they are 65—particularly when premiums do not fully cover the rising health care costs of former employees and their dependents.

Indefinite extensions of COBRA would increase the administrative burden on employer plans

The National Business Group on Health believes that we should be looking at ways to reduce administrative expenses for employer plans to ensure that the majority of health care expenses are directed towards delivering actual health care benefits to our nation's employees rather than increasing the burden to administer COBRA benefits. COBRA's administrative burden for former employees would become permanent under the committee's proposed expansion at the expense of current employees and their employers. If former employees choose to continue their current coverage under COBRA for the extended periods of time that the proposal would permit, then employer plans have to keep track of them, collect premiums and process COBRA payments for many years until their long ago employees either relinquish their coverage or it expires.

Thank you for your efforts to improve health care coverage for our nation's employees and for the opportunity to provide comments on H.R. 598. Please contact me or Steven Wojcik, the Business Group's Vice President of Public Policy, at (202) 585-1812, if you would like to discuss any of these comments or recommendations in more detail.

Sincerely,



Helen Darling
President

NATIONAL BUSINESS GROUP ON HEALTH

cc:

The Honorable Nancy Pelosi, Speaker, U.S. House of Representatives
The Honorable John Boehner, Minority Leader, U.S. House of Representatives
The Honorable Harry Reid, Majority Leader, U.S. Senate
The Honorable Mitch McConnell, Minority Leader, U.S. Senate
The Honorable David Obey, Chair, House Appropriations Committee
The Honorable Jerry Lewis, Ranking Member, House Appropriations Committee
The Honorable Henry Waxman, Chair, House Energy and Commerce Committee
The Honorable Joe Barton, Ranking Member, House Energy and Commerce Committee
The Honorable Max Baucus, Chair, Senate Committee on Finance
The Honorable Charles Grassley, Ranking Member, Senate Committee on Finance
The Honorable Daniel Inouye, Chair, Senate Committee on Appropriations
The Honorable Thad Cochran, Ranking Member, Senate Committee on Appropriations
The Honorable Edward Kennedy, Chair, Senate Health, Education, Labor and Pensions Committee
The Honorable Michael Enzi, Ranking Member, Senate Health, Education, Labor and Pensions Committee
The Honorable Thomas Daschle, Secretary-Designate, Department of Health and Human Services