

Congress of the United States
Washington, DC 20515

October 20, 2009

The Honorable Nancy Pelosi
Speaker
United States House of Representatives
H-332
Washington, DC 20515

Dear Speaker Pelosi,

Thank you for your leadership in advancing health insurance reform legislation that will reduce costs, extend coverage, and improve not only the quality of care but also the quality of life for all Americans. As we continue deliberations on this landmark legislation, we would like to highlight a new concern that the proposed excise tax on health insurance providers adopted by the Senate Finance Committee may adversely affect health coverage provided through the Federal Employees Health Benefits Plan (FEHBP).

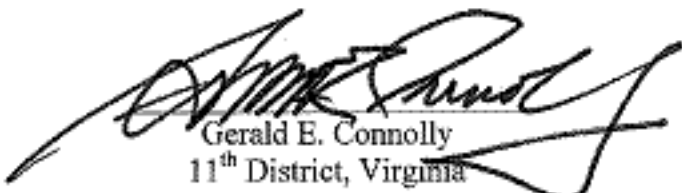
Just like all Americans, federal employees and retirees are struggling to keep up with the rapid growth in health care costs. In fact, premiums under FEHBP are anticipated to increase another 8.8 percent next year. Earlier this year, the Committee on Oversight and Government Reform held a hearing highlighting the increasing costs of prescription drugs and the disproportionate impact on FEHBP, in which enrollees are older than the average private sector employee. Protecting and improving the benefits -- particularly the health benefits -- of federal employees is critical to our success in retaining and recruiting a skilled workforce.

As you are aware, the Senate Finance Committee proposal would levy a 40 percent tax on the aggregate value of insurance plans that exceed a certain threshold - \$8,000 for individuals and \$21,000 for families starting in 2013. It is our understanding that, in addition to basic health care premiums, coverage for dental, vision or other supplemental programs as well as contributions to flexible spending accounts (FSAs) would count toward that threshold amount. The threshold limits would increase annually by a factor of the Consumer Price Index plus 1.


For the purpose of comparison, the Congressional Research Service adjusted those proposed thresholds into 2010 dollars, using the Senate Finance Committee's methodology, to assess the impact on current FEHBP health care plans. The adjusted threshold for an individual health plan, for example, would be \$6,500. Today's average insurance premium for an individual health plan within FEHBP is \$6,000. When coupled with dental and vision coverage, today's average FEHBP plan costs between \$6,303 and \$6,697, easily exceeding the adjusted threshold. When the average employee FSA contribution of \$1,300 is included, the cost falls between \$7,603 and \$7,997. This clearly indicates that those plans considered average by FEHBP standards, and certainly those considered above average, could be subject to the excise tax proposal. In fact, today's cost for a typical FEHBP health care plan is already bumping up against the proposed 2013 threshold, and those costs are only projected to increase.

Throughout this year, we and members of the Administration have assured the public, including more than two million federal employees, that if individuals or families like their current health coverage, they will not have to change it. The current proposal from the Senate Finance Committee could undermine that tenet of health insurance reform. We share your commitment to improving upon the existing health insurance system, and we urge you to carefully scrutinize this and other provisions of reform to ensure they do not adversely affect the Federal Employee Health Benefits Plan.

Sincerely,



Gerald E. Connolly
11th District, Virginia



James P. Moran
8th District, Virginia