



DAVID A. RAYMOND  
PRESIDENT & CEO

July 31, 2009

The Honorable Nancy Pelosi  
Speaker  
U.S. House of Representatives  
H-232 The Capitol  
Washington, D.C. 20515

Dear Speaker Pelosi:

On behalf of the American Council of Engineering Companies (ACEC) – the business association of the nation’s engineering industry – I would like to offer the industry’s perspectives on issues related to the ongoing effort in Congress to reform our nation’s health care system.

ACEC represents over 5,500 engineering companies and hundreds of thousands of employees throughout the United States. ACEC member firms agree on the need for affordable, quality health care options for their employees and for all Americans. Moreover, we appreciate the efforts of the three committees to develop solutions that meet this complex challenge. However, we are concerned that certain elements of the legislation as drafted will impose new mandates and increase costs for engineering firms and their employees.

Specifically, ACEC member firms are concerned over requirements that employers would either have to provide a mandated level of health benefits or pay an eight percent excise tax on their entire payroll. Nearly all ACEC member firms already provide health insurance for their employees. It is an essential tool for attracting highly-skilled engineers. However, they currently have the flexibility to choose their health insurance benefits in ways that best serve their specific needs in terms of both care and cost. In marked contrast, the draft legislation calls for a new federal Health Benefits Advisory Committee. This body would determine what constitutes an essential benefits package from a list of covered services that is stipulated in the legislation. In addition, states may mandate further components to add to the federal requirements. Finally, employers would be required to cover a certain percentage of employee health insurance premiums in order to be in compliance with the mandate. We are convinced that this array of top-down mandates would not only significantly increase the cost of health insurance but also would saddle firms with unnecessary burdens.

We are particularly concerned about the impact of this proposed legislation on small businesses such as those that comprise the majority of ACEC's membership. The draft bill's definition of small businesses as those employing 25 or fewer workers seems arbitrary and is well below the U.S. Small Business Administration's size standards. The "option" of providing a mandated level of health benefits or paying an eight percent excise tax on the entire payroll may prove devastating to many small businesses.

Rather than imposing new mandates, ACEC supports cooperative approaches to accessing affordable, quality insurance products. We believe ACEC's experience in this area is relevant. For many years ACEC members have had the option of purchasing health insurance for their employees through an association-sponsored trust that uses the collective purchasing power of the industry to control costs while maintaining quality. Nearly 1,300 engineering firms across the country – and their 35,000 employees and their family members – are able to purchase affordable health insurance products through the trust. Many of the beneficiaries of this approach are small engineering firms, which would otherwise not be able to purchase health insurance at a satisfactory price and level of quality. They also have access to an array of programs, including health savings accounts.

We would welcome the opportunity to brief you further on the industry's experience with this health care delivery mechanism. In addition, we would encourage you to consider policies that would make it easier for associations like ACEC to provide affordable and quality health insurance products to their members.

ACEC is also concerned about the inclusion of a public health insurance option in the draft legislation. The creation of an insurance provider that receives taxpayer funds and does not have to meet solvency or other requirements could crowd private insurance companies out of the market. In addition, limiting payments from the public insurance plan to doctors and other medical providers to rates that are close to those paid by Medicare and Medicaid will only increase the cost-shifting that already occurs from government health programs to the private sector. Reforms to the insurance market can achieve the goals of access and affordability for individuals and employers without eliminating the vital role played by the private sector.

ACEC does support certain elements of the proposed legislation that seek to control health care spending, including the expanded use of electronic health records and the promotion and use of wellness programs by employers. We are concerned, however, that the proposed legislation fails to address the ongoing need for medical liability reform, which continues to be a major driver of health care costs. The high cost of liability insurance, coupled with the tendency for doctors and other health care providers to order tests and other procedures to protect themselves against potential lawsuits, serve to boost health care costs that are simply passed on to consumers. Common sense legal reform is essential to end the widespread practice of "defensive medicine" and rein in exorbitant health care costs.

Finally, we are greatly concerned about a proposed surtax on incomes over \$280,000 for individuals and \$350,000 for married couples. A substantial number of ACEC member firms are organized as passthrough entities, and as you know these firms pay taxes at the individual income tax rates. A significant increase to these tax rates, such as the one proposed in this legislation, would have a dramatic impact on these businesses and their ability to retain and create jobs. We encourage you and your colleagues to consider alternative approaches to making the legislation deficit-neutral.

Thank you for your consideration of our views. Again, I want to express our appreciation for your committees' efforts to find solutions for this difficult and complex issue. ACEC stands ready to assist you or answer any questions you may have.

Sincerely,

A handwritten signature in black ink, appearing to read "David A. Raymond", with a stylized flourish at the end.

David A. Raymond  
President