



DAVID A. RAYMOND
PRESIDENT & CEO

October 14, 2009

The Honorable Harry Reid
Majority Leader
United States Senate
S-221 The Capitol
Washington, D.C. 20510

Dear Majority Leader Reid:

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. We appreciate the efforts of the Senate Finance Committee and the Senate Health, Education, Labor and Pensions Committee to develop solutions that meet this complex challenge. We strongly 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. However, we are concerned that certain other 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 about the proposed employer mandate. 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 health insurance benefits in ways that best serve their specific needs in terms of both care and cost. In marked contrast, the Senate HELP Committee legislation would require employers with more than 25 employees to pay for 60 percent of the premium for an insurance policy that covers an essential benefits package. In addition, states may mandate further components to add to the federal requirements. 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.

The Senate Finance Committee has taken an approach that could be less burdensome on employers. Their bill would require employers with more than 50 employees to cover the cost of any taxpayer-provided subsidies obtained by employees who purchase health

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insurance through the proposed health insurance exchange. ACEC believes that health care reform legislation should prioritize retaining flexibility for employers that provide health insurance for their employees.

We are particularly concerned about the impact of the proposed legislation on small businesses, such as those that comprise the majority of ACEC's membership. While the HELP Committee bill would exempt firms with 25 or fewer employees from the employer mandate, and the Senate Finance Committee would only apply the "firewall" provision to firms with more than 50 employees, we believe that the exemption level in the final Senate bill should be increased in order to shield a greater number of small firms.

ACEC is also concerned about the possible inclusion of a public health insurance option in the legislation, which was approved by the Senate HELP Committee. 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, we are concerned that payments from the public insurance plan to doctors and other medical providers will be set at rates close to those paid by Medicare and Medicaid. While this may serve to control costs for the public plan, it could have the perverse effect of shifting higher costs to ACEC members and the rest of the insured population as health care providers make up for inadequate reimbursements from the public plan.

In lieu of new mandates and an expanded federal role in health care, 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 – 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.

In order to enhance the ability of ACEC members and other businesses to collectively negotiate and secure quality health insurance, we urge Congress to include changes in federal law to allow individuals and employers to purchase health insurance across state lines. This would not only allow businesses to provide better health insurance products at

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lower prices for the consumer, but it would greatly enhance competition in areas of the country underserved by health insurance options.

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.

We also support medical liability reform, which the proposed legislation unfortunately fails to address. 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 would like to share our concerns about some of the provisions in the Senate Finance Committee bill that are designed to offset the cost of expanding health insurance coverage. The proposed 40 percent excise tax on health insurance plans in excess of \$8,000 for individual coverage and \$21,000 for family coverage may only affect a small percentage of health plans at this time. However, because the thresholds for the tax are tied to the consumer price index and not to health care inflation, over time many more Americans will be affected. We are also concerned about the \$2,500 limitation on flexible spending arrangements. Many ACEC member firms and their employees use FSAs and would be harmed by this limitation.

Another proposal in the Senate Finance Committee bill would require businesses to file IRS Form 1099 for all transactions for services or property valued at over \$600, whether or not the vendor is incorporated. This represents an enormous paperwork expansion and will especially burden small businesses.

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

Sincerely,



David A. Raymond
President & CEO