TO THE MEMBERS OF THE U.S. HOUSE OF REPRESENTATIVES:

The U.S. Chamber of Commerce, the world’s largest business federation representing the interests of more than three million businesses and organizations of every size, sector and region, strongly opposes the Senate-passed version of H.R. 3590, the “Patient Protection and Affordable Care Act.” The bill is fundamentally flawed as its underlying framework is the wrong approach to health reform. Therefore, the Chamber will include House votes on this legislation in our annual How They Voted scorecard.

Several of the main problems with H.R. 3590 are as follows:

- **Employer Mandate:** The bill creates a damaging new mandate on employers that would force them either to offer a government-mandated level of coverage or be liable for significant new taxes. The Senate bill would set these fees at $750 per employee, and the President’s proposal would significantly increase this number to $2,000 per employee, while further adding pro-rated penalties for part-time workers. Worse, an employer who offers coverage could be fined just as much as one who offers no coverage. This mandate constitutes a massive incentive for small businesses not to grow or hire new workers, and many businesses will be hesitant to hire low-income, low-skill workers, who would be likely to trigger the new tax.

- **New Taxes:** The bill imposes nearly $500 billion in new taxes, many of which would fall squarely on small businesses. Taxes on medical devices and prescriptions would be passed through to consumers. Taxes on insurance plans would be passed on directly to small businesses, as large self-insured employers are exempt. A new tax on “Cadillac” benefits will be harmful to small businesses that have more expensive but not necessarily more comprehensive plans, while the new “corporate reporting” paperwork tax will exclusively hit small businesses. The Medicare surtax will tax small businesses that file as individuals. Worse, the President’s proposal would expand this surtax to hit investments and 401(k) plans. Neither the “Cadillac” tax nor the surtaxes are properly indexed, meaning they will both have an AMT-like effect of ballooning and eventually devastating the middle class. The bill also contains hidden taxes in the form of reduced payments to doctors and hospitals by the government, which will be cost-shifted to the private sector while government underpayments already account for 20-30% cost increases for individuals and businesses.
- **Dangerous Entitlements and Medicare Cuts**: The bill cuts approximately $500 billion from Medicare. However, despite double-counting by the Congressional Budget Office (CBO), this money will not be used to shore up the Medicare trust fund, which is projected to be bankrupt by 2017. Rather, it will be used to create a vast new entitlement that will transfer government funds to families making up to $88,000 a year. Worse, H.R. 3590 establishes more new entitlements; first is the CLASS government-run long-term care program that will have an inadequate trust fund to cover promised benefits and even CBO has reported will add tens of billions of dollars to the deficit in the out-years. The combined effect of these large new entitlements will be an ever-expanding federal budget that will be extremely difficult to control. At the same time, the bill allows a 23% pay cut to all Medicare providers, and other pay cuts, that the Centers for Medicare and Medicaid Services stated would drive 20% of providers away from the Medicare program, and cause a scarcity of treatment to Medicare enrollees.

- **Expensive Plan Requirements**: Every health plan will be required to meet certain standards set by the federal government, except for “grandfathered plans,” which the President’s proposal essentially eliminates. The end result of these new requirements, according to CBO, is that health insurance on the individual market will be 10-13% more expensive if H.R. 3590 is enacted, than if nothing is done.

- **Weak Cost Containment**: The bill would do little to lower costs and for many would in fact increase them, which is in part because numerous common-sense cost-containments approaches are not included in the legislation. The bill contains only an inconsequential “sense of the Senate” nod to medical liability reform, despite CBO’s finding that caps on punitive damages for doctors could save $54 billion for the government and untold amounts for the private sector. The bill does not allow all Americans to purchase health insurance across state lines, which the CBO found would lower health care costs by 5%. The bill does not allow new small business pooling arrangements, which the CBO found would not only increase coverage, but would also save money for the federal government and the states by getting people off the Medicaid program and into employer-sponsored plans. The bill would do nothing to curtail state benefit mandates that drive up the costs of health insurance for small business. The bill would not make changes to successful high-deductible health plan models to help them work better with innovative care concepts like patient-centered medical homes. Lastly, the bill would not do enough to move away from fee-for-service and toward outcome- and quality-based reimbursement for medical providers.

- **Unworkable Small Business Tax Credits**: Because of the extremely low wage restrictions for small businesses to be eligible for credits, hardly any small businesses would be eligible. Those businesses that are eligible would be required to offer highly comprehensive plans and pay the vast majority of the employees’ premiums – and after two or three years, the credit would vanish entirely, leading to an immediate spike in a small businesses’ cost. These factors make it highly unlikely that most small businesses would, or would be able to, take advantage of this credit.
The Chamber strongly opposes H.R. 3590 and urges Congress to start over and create a new, bipartisan health reform bill. **Should the House, as expected, take up the Senate-passed version of H.R. 3590, the Chamber will include votes on, or in relation to, this legislation—including on the rule—in our annual How They Voted scorecard.**

Sincerely,

R. Bruce Josten