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April 28, 2010

The Honorable George Miller
Chairman
Committee on Education and Labor
2181 Rayburn House Office Building
Washington, DC 20515

Dear Chairman Miller:

As you may know, on April 22, 2010, Richard S. Foster, the Chief Actuary at the Centers for Medicaid and Medicare Services for the U.S. Department of Health and Human Services (the CMS Actuary), issued a memorandum estimating the financial effects of the "Patient Protection and Affordable Care Act" (P.L. 111-148) as enacted on March 23, 2010 and amended by the "Health Care and Education Reconciliation Act of 2010" (P.L. 111-152) (the "PPACA"). Mr. Foster's memorandum contains several troubling conclusions regarding the impact of the PPACA, including a number of adverse implications for employer-sponsored group health plans. The issues raised by Mr. Foster's memorandum are worthy of prompt consideration by this Committee.

Specifically, Mr. Foster concludes that as a result of enactment of the PPACA, total national health expenditures from 2010-2019 will increase by \$311 billion over the June 29, 2009 updated baseline projection. The increase appears to be driven primarily by coverage expansions, including an estimated 18 million new people gaining primary Medicaid coverage. Of particular relevance, the memorandum raises the possibility of a substantial cost-shift to private payers, such as employer-sponsored plans, as health care providers seek to recoup underpayments from the Medicaid program.

Other factors increasing total spending include new fees on drug and device makers and health insurers. Of note, Mr. Foster stated that these fees would raise national expenditures by \$2.1 billion in 2011, \$18.2 billion in 2018, and \$17.8 billion in 2019. These fees "would

generally be passed through to health consumers in the form of higher drug and device prices and higher insurance premiums.”

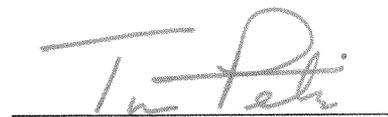
Further, the memorandum contains an extensive discussion regarding the impact of the PPACA on private, employer-sponsored health coverage. Mr. Foster comments that millions of Americans with private employer-sponsored insurance would lose that coverage and become enrolled in Medicaid or obtain coverage through insurance exchanges. In particular, smaller businesses would be inclined to terminate their existing coverage, and companies with low average salaries might find it to their advantage to end their plans, thereby allowing their workers to qualify for heavily subsidized coverage through exchanges (at taxpayer expense).

Finally, Mr. Foster discusses the federal reinsurance program established under Section 1102 for early retirees and their families in employer-sponsored health plans. He concludes that the amount of funding authorized under the PPACA (\$5 billion for 2010-2013) may be expended within one to three calendar years of authorization. It would be helpful to explore the reasons underlying this conclusion and whether additional funding will be needed.

Although it is unfortunate that the findings of the CMS Actuary were not available prior to the final vote on the PPACA, the information remains no less important today. Accordingly, we respectfully request that you invite Mr. Foster to testify before the Committee to provide Members with the opportunity to fully understand the implications of his analysis.

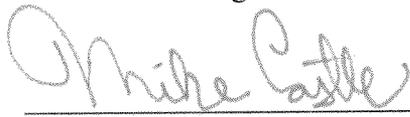
Sincerely,


John Kline
Senior Republican Member


Thomas E. Petri
Member of Congress

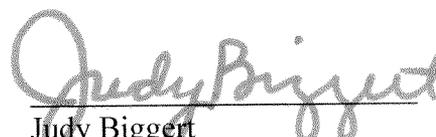

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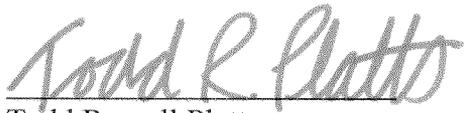

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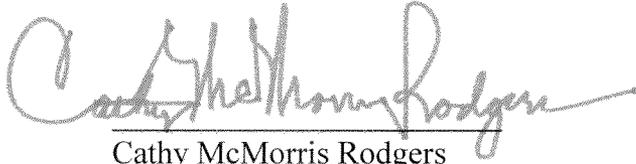

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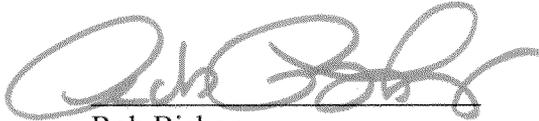
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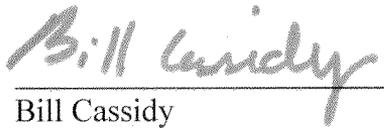
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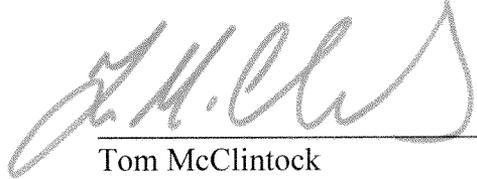
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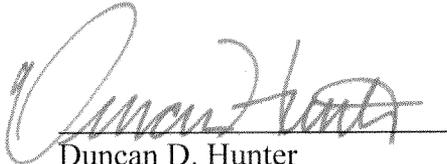
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