

September 14, 2009

The Honorable Max Baucus  
United States Senate  
511 Hart Senate Office Building  
Washington, D.C. 20510-2602

Dear Senator Baucus,

We appreciate your efforts to craft comprehensive health reform legislation, and your willingness to meet with us in the spring and make your staff accessible to us over the past year. While we welcome progress in the Senate Finance Committee, PICO National Network and Community Catalyst are deeply concerned that the legislation you are developing sets subsidy levels too low for lower-income families.

In his September 9 speech to the Joint Session of Congress, President Obama said that “in the United States, no one should go broke because they get sick.” Yet that is exactly what could happen to many families under the legislative framework you released last week. As currently written, that plan would impose extraordinary financial burdens on families, especially those with low- and moderate-incomes and significant or chronic illnesses. Some families living just above the poverty line could face out-of-pocket costs that approach one-quarter of their income.

As faith-based and consumer organizations, we believe that requiring people to buy coverage at a high cost that leaves them significantly under-insured would both frustrate the goal of making quality affordable coverage available to all American families, and undermine the public support needed to pass and sustain reform.

We urge you to strengthen the legislation in the following ways:

1. Respect existing federal health care cost-sharing policies by setting the point at which premiums are charged at 150 percent of the Federal Poverty Line, as is done in the HELP bill, rather than at 100 percent of poverty, a level at which many people simply cannot afford to make regular monthly contributions to health insurance.
2. Cap out-of-pocket expenses at reasonable levels so that no one who is eligible for premium subsidies faces out-of-pocket spending that would leave them vulnerable to underinsurance as defined by the Commonwealth Fund (out-of-pocket caps at five percent for families earning under 200 percent of FPL and ten percent for families earning above 200 percent of FPL).
3. Use the actuarial value of the Blue Cross Standard Option offered to Members of Congress and federal employees as the benchmark for benefits.
4. Limit age-rating to 2-1 to keep insurance affordable for older adults who are more likely to need it.

We recognize that some of these critical improvements will cost money. To help offset these additional costs, we offer three ideas that have been used in Massachusetts and according to the Connector have been shown to be effective at containing costs. They are:

1. The Exchange should be an active rather than a passive player in the insurance market with the power to negotiate with plans for lower bids and the ability to exclude plans that do not offer good value and cost effectiveness.
2. Existing Medicaid managed care plans (MCOs) should be encouraged to bid on coverage for the lower-income population (below 200 percent of FPL) in the Exchange. Even if MCOs pay enhanced rates to attract a robust provider network, premiums are likely to be lower than for plans whose rates are based on a commercial platform. Restricting Medicaid MCOs to lower income populations would save money without having these plans substantially competing for business with those that pay commercial rates.
3. Finally, our understanding is that subsidies offered in the proposed legislation are tied to the premiums of the second-lowest "silver" premium available. While choice is as a positive benefit, using the lowest cost silver plan as a benchmark would reduce costs. If the choice is between making coverage more affordable and giving people more choices, we believe the former needs to take precedence.

PICO National Network and Community Catalyst, along with our faith and consumer partners, have been working tirelessly to build support for health reform. Just this week, we are sponsoring a National Health Care Affordability Call-in Day with a goal of generating 40,000 calls into Congress on Tuesday and a National Health Care Affordability Lobby Day on Wednesday.

What we hear daily from ordinary families is that they are concerned about the cost of insurance and are worried that the coverage that results from health reform will not be affordable. Getting affordability right is good policy and good politics.

We look forward to working with you and the Committee to strengthen this legislation. For more information please contact Gordon Whitman (202) 427-2992 [gwhitman@piconetwork.org](mailto:gwhitman@piconetwork.org) or Michael Miller (617) 852-5459 [michaelm@communitycatalyst.org](mailto:michaelm@communitycatalyst.org).

Sincerely,



Scott Reed  
Executive Director  
PICO National Network



Rob Restuccia  
Executive Director  
Community Catalyst

cc. Members of the Senate Finance Committee