



July 14, 2009

The Honorable Edward Kennedy
Chairman
Senate Committee on Health, Education, Labor and Pensions
United States Senate
644 Dirksen Building
Washington, D.C. 20510

Dear Mr. Chairman:

We are writing on behalf of America's Health Insurance Plans (AHIP) and the Blue Cross and Blue Shield Association (BCBSA), whose members collectively provide services to more than 200 million Americans, to offer our views on the Community Health Insurance Option proposed by the pending version of the "Affordable Health Choices Act."

We strongly support the need to advance legislation that achieves universal coverage, improves quality and improves the efficiency and effectiveness of the system, and our members have made a strong early contribution to this effort with their advocacy of comprehensive market reform. As we indicated in our June 19 letter, we agree with many of the priorities addressed by the committee's legislation, including the need for market reforms, bringing everyone into the system through an individual coverage requirement, and providing premium assistance to make coverage affordable.

While we appreciate your efforts to address the issues that we have raised concerning the workability of various provisions in the legislation, we oppose the proposed Community Health Insurance Option which is a government-organized plan that would be offered in the exchange. While the Community Health Insurance Option would be required, in theory, to negotiate provider payments, government programs have no infrastructure to carry out this task. Therefore, we are very concerned that the government plan would resort to administered pricing at Medicare levels or slightly above, as originally proposed, or use existing government programs as leverage for negotiations, creating similar effects. If the government plan ultimately adopted Medicare rates, as many as 119 million Americans could lose their current private coverage, as estimated by the Lewin Group, vitiating the promise that if you like your health plan you can keep it.

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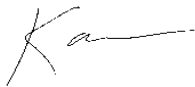
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The design of the Community Health Insurance Option closely resembles Medicare in its regulatory framework and would have major advantages over private health plans. All key decisions, including prices for health care services, would be centralized and made by the federal government. As we read the legislative proposal, the new plan would be exempt from most existing rules that would continue to apply to private health plans at the state level, including taxes and assessments, lawsuits, licensing rules and many other requirements.

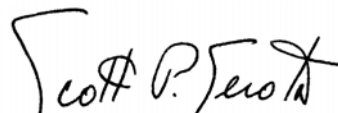
With the strong, new market rules set out in the legislation, a new government plan is unnecessary and runs counter to the type of reform that is necessary to bend the cost curve, reform health care delivery, shrink the wide variation in care, and ensure that consumers can maintain access to their existing coverage.

We appreciate you considering our concerns and we pledge to continue to work with the committee to develop sustainable solutions for reform.

Sincerely,



Karen Ignagni
President and CEO
America's Health Insurance Plans



Scott P. Serota
President and CEO
Blue Cross and Blue Shield Association