

United States Senate

WASHINGTON, DC 20510

February 25, 2010

The Honorable Barack Obama
President
The White House
1600 Pennsylvania Avenue
Washington, D.C. 20500-0003

Dear Mr. President,

During today's discussion on health care, you and I disagreed about whether the health care bill that passed the Senate on a party-line vote on December 24 would cause health insurance premiums to rise even faster than if Congress did not act. I believe premiums will rise because of independent analysis of the bill:

On November 30, the non-partisan Congressional Budget Office (CBO) wrote in a letter to Senator Bayh that "CBO and JCT estimate that the average premium per person covered (including dependents) for new nongroup policies would be about 10 percent to 13 percent higher in 2016 than the average premium for nongroup coverage in that same year under current law."

When you asserted that CBO says premiums will decline by 14 to 20 percent under the Senate bill, you are leaving out an important part of CBO's calculations. These reductions are overwhelmed by a 27 to 30 percent increase in premiums due to the mandated coverage requirements in the legislation. CBO added those figures together to arrive at a net increase of 10 to 13 percent – as shown in their chart in that same letter.

In that same letter, CBO wrote, "The legislation would impose several new fees on firms in the health sector. New fees would be imposed on providers of health insurance and on manufacturers and importers of medical devices. Both of those fees would be largely passed through to consumers in the form of higher premiums for private coverage."

On December 10, the chief actuary for the Centers for Medicare and Medicaid Services – who works for your administration – concurred with the CBO. In his analysis, the actuary said, "We anticipate such fees would generally be passed through to health consumers in the form of higher drug and device prices and higher insurance premiums." He also said, "The additional demand for health services could be difficult to meet initially with existing health provider resources and could lead to price increases, cost-shifting, and/or changes in providers' willingness to treat patients with low-reimbursement health coverage."

For these reasons, the Senate-passed bill will, indeed, cause Americans' insurance premiums to rise, which is the opposite of the goal I believe we should pursue.

Sincerely,

Lamar Alexander