



Jay Timmons  
Executive Vice President

October 13, 2009

The Honorable Max Baucus  
Chairman  
Committee on Finance  
United States Senate  
Washington, DC 20510

Dear Chairman Baucus:

The National Association of Manufacturers (NAM), the nation's largest industrial trade association representing manufacturers in every industrial sector and in all 50 states, commends the Senate Finance Committee for its continuing efforts to create a balanced plan for health care reform. While much progress has been made over the last nine months, unfortunately, the NAM remains deeply concerned that the Committee's bill will not significantly slow the out-of-control rise in health care costs for manufacturers, threatening U.S. jobs and overall economic growth.

Ninety-seven percent of NAM members voluntarily provide health benefits to their employees. The NAM believes reform should enable employers to continue offering flexible, generous health benefits without increasing the cost of doing business. We are also committed to health reform that will create efficiencies and quality outcomes that will make manufacturers more competitive.

The NAM supports several provisions in America's Healthy Future Act of 2009, including:

- **Employee Retirement Income Security Act (ERISA) Framework:** The NAM has been a consistent and strong advocate for the protection of the ERISA framework, which is critically important to manufacturers. The preservation of ERISA gives manufacturers the ability to continue to offer quality benefits so employees can keep their existing plans.
- **No Public Option:** The NAM also commends the Committee for excluding several provisions – including the public plan – that would severely weaken manufacturers' ability to sustain employees' health benefits plans and have a negative impact on the overall economy.
- **Wellness and Prevention:** The cost curve for health care and employee health can be positively impacted by wellness and prevention measures. By supporting these efforts, the Committee recognizes a healthy workforce is necessary to grow the manufacturing economy and control costs.

*Manufacturing Makes America Strong*

While the NAM welcomes ERISA protection and the wellness and prevention provisions, we are concerned the bill will raise costs for manufacturers and, ultimately, working men and women. Adding costs to the health care system and, by extension, the manufacturing community that is already struggling with spiraling costs, is reform headed in the wrong direction.

Areas of concern include:

- **Excise Tax on Health Insurance Plans:** We believe that the excise tax imposed on insurance plans will impact many manufacturers, especially those with older workforces and/or smaller self-insured plans. We believe the threshold should be higher and indexed to medical costs to ensure that additional plans are not subject to the tax over time.
- **Industry-Specific Fees:** The Finance Committee's imposition of industry-specific fees, on the medical device manufacturers for example, singles out businesses solely to raise revenues – costs that ultimately will be passed onto consumers.
- **Tax on Employer-Provided Prescription Benefits:** The current exclusion for payments received by companies who provide prescription drug coverage for retirees was included in the original Medicare Part D bill to encourage employers to continue offering drug coverage and to create a level playing field between employers offering drug coverage and Medicare Advantage plans. Eliminating the exclusion shifts the advantage to Medicare, making it more difficult and costly for employers to offer coverage for their employees.
- **New Limits on Flexible Spending Accounts (FSAs):** FSAs empower employees to manage their health expenses while improving access to affordable coverage. Limiting contributions to FSAs will cut back on a plan design that works and impose an immediate tax increase on employees who currently contribute more.
- **Corporate Information Reporting:** A proposed requirement that all businesses file a 1099 form with the IRS for payments over \$600 for goods or services is unnecessary and extremely onerous – especially for small manufacturers.
- **Tort Reform:** We are disappointed that the bill does not address the costly issue of “defensive medicine” through medical malpractice reform in any meaningful way. Defensive medicine is a significant contributor to increased health care costs. Eliminating unnecessary tests and procedures performed as a result of defensive medicine would significantly reduce health care costs and provide additional savings.

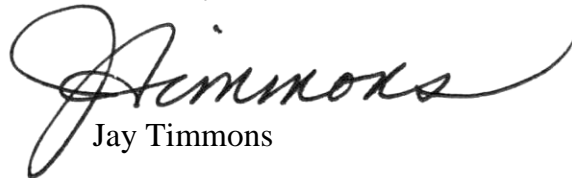
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Unemployment is approaching 10 percent. Manufacturing has lost nearly 2 million jobs in this recession. American working men and women want to go back to work, but in the midst of the deepest recession since the Great Depression, adding costs for job creators would be a mistake.

Manufacturers are committed to working with Congress to achieve health care reform that drives down costs. We appreciate the efforts of the Senate Finance Committee, and we look forward to working with you to craft meaningful healthcare reform legislation.

With all best wishes, I remain,

Sincerely,

A handwritten signature in black ink, appearing to read "J Timmons", with a large, sweeping flourish at the end.

Jay Timmons

cc: All members, United States Senate