



Hon. Max Baucus
511 Hart Senate Office Bldg.
Washington, DC 20510

Re: Health Care Reform

June 1, 2009

Dear Senator Baucus,

I have read with interest the Senate Finance Committee's white papers on Health Care Reform. Benemax, Inc., the nation's oldest and 12th largest Consumer Directed Health Care (CDHC) company (*Workforce Management, May 2009*), takes no formal position on the need for reform, the nature of that reform or the methods proposed to finance that reform. Our primary concern is that *any* reform package maintain a level playing field that will stimulate competition and innovation.

The Committee's white papers acknowledge that employers may provide qualifying coverage either by paying premiums to an insurance carrier or by self-funding their health care claims. In fact, many employers combine *both* techniques to produce a single "hybrid" benefit plan that delivers lower cost and richer benefits than fully insured or totally self-funded alternatives alone can deliver.

More and more employers are supplementing low cost, high deductible insurance plans with self-funded benefit plans to maximize value for themselves and optimize benefits for their employees. This strategy has enabled employers to retain coverage and maintain rich benefits in spite of escalating insurance costs, serving the interests of universal coverage and affordability.

Some of these employers supplement their insured benefits through a Health Reimbursement Arrangement (HRA) but most simply self-fund a layer of up-front benefits.

Therefore, our concerns are (1) that employers and employees be allowed to demonstrate "qualifying coverage" by combining two or more non-qualifying health plans into a single qualifying package and (2) that payments made by an employer *to* an HRA and payments made on behalf of plan members *from* an HRA be taxed the same as any other health benefit transaction.

(It may be worth noting that the Massachusetts Connector Board adopted specific regulatory language to ensure the qualification of such "hybrid" plans.)

Thank you for your consideration,

David Cowles, Principal

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