



ARIZONA

May 5, 2006



DELAWARE

The Honorable Bill Frist
Majority Leader
509 Hart Senate Office Building
Washington, D.C. 20510

The Honorable Harry Reid
Minority Leader
528 Hart Senate Office Building
Washington, D.C. 20510



IOWA

Dear Senators,



KANSAS

We are writing to express our strong concerns about S. 1955, legislation designed to offer new insurance options to small businesses similar to Association Health Plans (AHPs), which recently passed the Senate Health, Education, Labor, and Pensions Committee. We are very concerned that this legislation creates a federal ceiling for health insurance regulation and will prevent states from enacting tougher standards. Specifically, S. 1955 would do the following: 1) preempt state rating rules that will likely raise costs for many small employers and their employees; 2) preempt state consumer protections that will result in families failing to get coverage for needed health care; 3) preempt state insurance standards that will result in consumers and providers losing current protections guaranteeing coverage of and payment for care; and 4) expose states to expedited lawsuits from insurers.



MAINE



MICHIGAN

By overriding state insurance laws and forcing states to adopt federal rules, this bill fundamentally alters the way that health insurance is regulated today. We believe that states are in the best position to determine what protections are best for their residents and to enforce those protections. S. 1955 will have a deleterious effect on our states' ability to assure quality insurance coverage for consumers. Additionally, despite the intent of S. 1955 to make health insurance more affordable, the bill will likely make it harder for many small businesses to provide health coverage to their workers. This in turn may lead to the unintended consequence of increasing burdens on state-administered health programs, such as Medicaid and the State Children's Health Insurance Programs, as older and sicker employees are priced out of the market and forced to turn to these State programs.



NEW HAMPSHIRE



NEW JERSEY

First, S. 1955 would preempt state rating rules, which protect small businesses from facing prohibitive premiums solely because they are of smaller size, have older and sicker employees, or are located in a high-cost geographic area. By preempting state rating rules with its one-size-fits-all approach, S.1955 will likely result in many firms with older or less healthy employees being priced out of the market entirely. Such a preemption of these laws will completely undermine consumer protections that publicly elected officials in each state have determined are necessary to allow small businesses to provide health insurance.



NEW MEXICO



OREGON

Second, S. 1955 would also preempt many important state consumer benefit protections. Under this legislation, benefits such as mental health coverage, maternity care, well-child screenings, and cancer care would no longer have to be a required part of health insurance plans in the states that have elected to incorporate them into their consumer protections. Many of these vital services, which were enacted on a bipartisan basis at the



WASHINGTON



WISCONSIN

state level, could now be stripped away and made increasingly unaffordable for consumers and businesses alike.

Third, S. 1955 would set a federal ceiling on many insurance protections, would prevent states from adopting more protective requirements, and would undermine protections that millions of consumers and providers are guaranteed today. The “nationally harmonized” standards in S.1955 would supersede state laws that relate to various process and administrative categories such as reporting requirements, claims for benefits, claims payment procedures, and claims appeal procedures. The result is that consumers and providers will lose protections they currently have at the state level against unfair claims handling practices and fraudulent insurance practices.

Fourth, S. 1955 would give insurers the authority to sue states in federal court for failure to comply with S. 1955 and to even sue states trying to enforce the minimal federal standards if insurers do not agree with the state's interpretation of those standards. Insurers could sue states on an expedited basis in the Federal Courts of Appeals if a state tries to enforce its existing laws (that are preempted by S. 1955) against insurers.

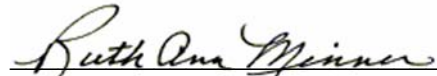
This legislation’s preemption of premium protections, basic benefit, and solvency protections (as well as the increased legal burden on states) will inevitably place greater stress on the nation’s health care safety net. As plans drop essential benefits such as maternity, basic, and preventive care, and as employees are priced out of coverage because they are older or sicker, increased burdens will be placed on states and on the already overburdened Medicaid and the State Children’s Health Insurance Programs.

While we appreciate the stated intent of this legislation to help more small businesses offer health insurance and are willing to work with you to assure affordable and meaningful health care for all Americans, we believe this legislation is a step backwards in that effort. We urge you to vote against this bill and work toward alternative legislation that will provide more affordable options for small businesses without preempting state insurance protections.

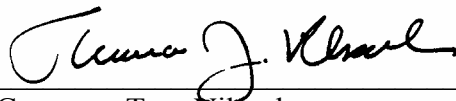
Sincerely,



Governor Janet Napolitano
Arizona



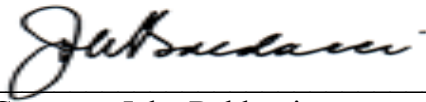
Governor Ruth Ann Minner
Delaware



Governor Tom Vilsack
Iowa



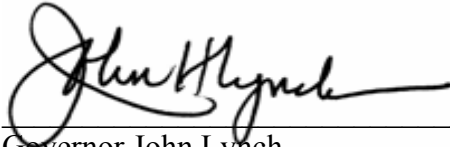
Governor Kathleen Sebelius
Kansas



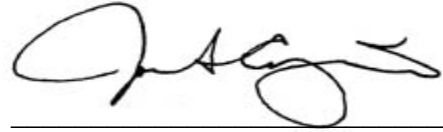
Governor John Baldacci
Maine



Governor Jennifer Granholm
Michigan



Governor John Lynch
New Hampshire



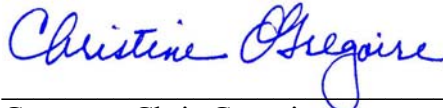
Governor Jon S. Corzine
New Jersey



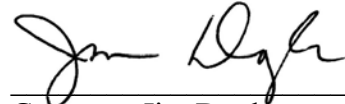
Governor Bill Richardson
New Mexico



Governor Ted Kulongoski
Oregon



Governor Chris Gregoire
Washington



Governor Jim Doyle
Wisconsin