



ASSOCIATION OF
AMERICAN RAILROADS

Office of the President
Edward R. Hamberger
President and Chief Executive Officer

January 10, 2014

The Honorable Pat Tiberi
106 Cannon House Office Building
Washington, DC 20510

The Honorable Daniel Lipinski
1717 Longworth House Office Building
Washington, DC 20510

Dear Congressmen Tiberi and Lipinski:

The Association of American Railroads is pleased to offer its support for H.R. 3489, legislation you have introduced to repeal the funding mechanism for the Transitional Reinsurance Program authorized by the Affordable Care Act. The fees levied to support the Program provide an unnecessary financial burden to the rail sector with no corresponding benefit.

The Transitional Reinsurance Program is expected to collect a total of \$25 billion in fees over a three-year period beginning in January 2014. They will be assessed at a level of \$63 per covered individual in 2014 and an estimated level of \$42 in 2015 and \$26.50 in 2016.

National railroad healthcare plans cover more than 400,000 individuals at an annual cost to the railroads of more than \$2 billion. UnitedHealthcare estimates that reinsurance fees will cost the railroad sector an additional \$27 million in 2014, \$19 million in 2015 and \$11 million in 2016. Moreover, states are permitted to set up their own supplemental reinsurance programs and will be allowed to assess additional fees on top of the federal fees. These costs would impose a significant burden on the railroad industry.

The U.S. Department of Health and Human Services has noted that the fees “will mitigate the impact of potential adverse selection and stabilize premiums in the individual and small group markets.” Unfortunately, self-insured, not-for-profit health plans, which will bear part of the burden associated with the fees, will receive no direct benefit from them. Reinsurance fees are merely an added financial liability that will need to be satisfied with dollars otherwise available to provide healthcare benefits for our plan participants.

Thank you for introducing H.R.3489 to repeal this funding mechanism.

Sincerely,

Edward R. Hamberger

Thank you!