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January 28, 2010

The Honorable Nancy Pelosi
Speaker of the House
Office of the Speaker
Washington, DC 20515

The Honorable Harry Reid
Majority Leader
United States Senate
Washington, DC 20510

Dear Majority Leader Reid and Speaker Pelosi:

On behalf of over 1.6 million California public employees, retirees and their families, we commend you for your leadership in addressing our nation's health care crisis. As the second largest purchaser of health care benefits in the nation, we believe that failing to address the systemic issues in our health care system immediately is a policy choice that has dire consequences for millions of public and private purchasers alike. We strongly urge you to act now to pass comprehensive health care reform.

This year, CalPERS will spend more than \$5.8 billion on health benefits for more than 1.3 million active and retired state and local government employees and their family members. We have seen first-hand the impact of rising health care costs on our members; since 2003, CalPERS members have seen premiums rise over 60% in part due to the growing number of uninsured, which results in cost-shifts to all health care purchasers.

The House and Senate health care bills, while imperfect, represent a historic step forward in addressing our nation's health care challenges. CalPERS strongly supports key elements of the legislation designed to constrain cost growth, improve quality, and expand coverage to tens of millions of the uninsured, including: significant investments in comparative effectiveness research; strengthening the Medicare program by realigning payment incentives to reward value over volume of services; providing a landmark investment in prevention and wellness initiatives; developing a national strategy to improve quality measurement and reporting; and offering direct financial assistance to ensure affordability of coverage in combination with an individual requirement to purchase coverage. We believe that these measures, combined with strong insurance reforms, will fundamentally alter and improve the way health care is delivered and purchased in this country.

While we support passing comprehensive health care reform immediately, we remain concerned about financing provisions in the Senate legislation that impose an excise tax on higher cost health care benefits. Taxing higher cost health care benefits will destabilize the employer-based system by placing an undue financial burden on middle class, working families by increasing premiums and cost-sharing and/or reducing benefits. Furthermore, our experience indicates that these "high-cost plans" are not due

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to excessive benefits; rather, demographic factors such as age and health status typically account for the more expensive benefit.

As such, we respectfully request that the negotiated compromise with the Congress and the White House on this issue, which raises the thresholds subject to the excise tax and exempts public employers and collective bargaining agreements through 2017, is an important step forward and should be preserved in any final compromise legislation.

With this agreement in place, we urge you to move forward without delay to pass a final bill. In our opinion, the cost of failing to achieve overall comprehensive health care reform is simply too high.

Sincerely,

A handwritten signature in cursive script that reads "Anne Stausboll".

ANNE STAUSBOLL
Chief Executive Officer

cc: The California Congressional Delegation
The CalPERS Board of Administration
Executive Staff