

August 4, 2009

The Honorable Barack Obama  
The President of the United States  
The White House  
1600 Pennsylvania Avenue, NW  
Washington, DC 20500

RE: Supporting Health Care Reform that Provides Access to Affordable Insurance

Dear Mr. President:

The Specialty Equipment Market Association (SEMA) supports the goal of reforming the nation's health care system to provide access to affordable insurance. As you have stated, the status quo is unacceptable. However, enacting legislation that does not sufficiently address the present system's fundamental flaws would be even worse.

SEMA represents the \$32 billion specialty automotive industry. Founded in 1963, the trade association has 7,358 member companies, most of which are small businesses. The industry provides appearance, performance, comfort, convenience and technology products for passenger cars, minivans, trucks, SUVs and recreational vehicles.

Helping SEMA member businesses gain access to affordable coverage is a top priority. As you noted in your July 25<sup>th</sup> weekly address, "Because they lack the bargaining power that large businesses have and face higher administrative costs per person, small businesses pay up to 18 percent more for the very same health insurance plans – costs that eat into their profits and get passed on to their employees." SEMA shares your commitment in seeking to fix this problem.

To follow are recommendations with respect to the current legislative initiatives:

- **Employer Mandate:** SEMA opposes a mandate that employers provide health insurance. Given the enormous diversity in the size and economic wellbeing of millions of businesses across the country, SEMA believes it is impossible to devise a "pay or play" system that would not cause a catastrophic economic burden on a significant number of our companies. As a result, some businesses would close their doors or limit their payroll to avoid incurring a larger tax base. Many companies would drop their private plans and just pay the tax, while other businesses would downgrade existing coverage to the required minimum. SEMA urges lawmakers to focus more attention on reducing insurance costs since this will ultimately be the mechanism for ensuring voluntary employer participation.
- **Individual Mandate:** SEMA supports establishing an individual mandate as a mechanism to bring uninsured Americans into the health care system. Lawmakers could require individuals to buy a qualifying level of health insurance in the same fashion that motorists must have

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auto insurance. An individual mandate should reduce insurance premiums by bringing into the system more young, healthy people who currently are not covered by insurance. Conversely, it would also require government subsidies for lower-income and unemployed individuals. Incentives to purchase affordable plans could include refundable tax credits, increased tax deductions for the self-employed, and tax-deferred medical savings accounts. Imposing a mandate on the individual rather than the employer would identify low-income workers who need assistance without jeopardizing their jobs by taxing their employer. Meanwhile, a majority of employers would be compelled to voluntarily offer health insurance as a means of competing for the best workers, as has traditionally been the case.

- **Private Sector:** The current system should continue to rely on private sector insurance to the maximum extent possible. SEMA is highly skeptical of a proposal to establish a “public plan” to compete with private insurers since it could siphon away millions of customers from private plans, be an incentive for employers to drop coverage in favor of the government plan, and balloon the federal deficit to pay for the plan. Despite its flaws, the current system provides excellent coverage to an estimated 177 million Americans that receive employer-based insurance. SEMA urges lawmakers to work within the present system.
- **Exchanges:** In recent years, SEMA members have enthusiastically supported Small Business Health Plan (SBHP) legislation enabling small businesses to collectively purchase insurance across state lines through a trade association. SEMA members have also supported a variation called “SHOP” whereby the government would establish state and nationwide health insurance purchasing pools offering small businesses a wide range of health plan choices. We must use this opportunity to achieve the fundamental goal of allowing small businesses to band together across state lines and purchase health insurance with greater economies of scale and increased bargaining power. SEMA urges lawmakers to develop uniform national standards for health insurance as a mechanism for providing access to federal, state or regional plans, where individuals and small businesses could shop for a variety of private plans offering a menu of benefits that meet individual consumer needs. It is critical that lawmakers define “small business” as covering firms with up to 50 workers. According to the U.S. Small Business Administration, companies with 50 employees or less account for 96 percent of all firms in the United States. Enacting a reform that only applies to firms with 20 or fewer workers does not provide relief to a vast number of small businesses.
- **Cost Containments:** The legislation being debated does not sufficiently address skyrocketing health care costs. Further, health care reform must better engage the consumer on cost and seeking appropriate levels of care. There are a range of mechanisms to accomplish this mission, such as establishing the mandate that individuals obtain insurance, providing access to a variety of insurance options, and providing tax incentives like health savings accounts. The nation needs to address the way care is provided as well, such as moving away from a “fee for service” medicine in favor of reimbursing doctors and hospitals based on results and the most cost-effective treatment. This approach could include encouraging clinics that coordinate care between primary doctors, specialists and nurses versus solo practitioners, and reimbursing care-givers by salary rather than by billable services. The legislation should support health wellness programs and initiatives to address health risks such as obesity and smoking. It should also push the medical system into the electronic age rather than a paper-based system that is inefficient and prone to error.

- **Tort Reform:** Billions of dollars are spent each year performing medical procedures that serve only the purpose of protecting the doctor and hospital from malpractice lawsuits. Costly MRIs, CAT scans and other defensive medicine practices are routinely ordered by doctors as a shield against meritless lawsuits. The problem has been diagnosed for years, yet Congress remains unwilling or unable to enact responsible reforms. The issue is not without consequence. Beyond adding to skyrocketing premiums, many areas of the country are facing doctor shortages as practitioners move away from high-risk professions such as obstetrics and emergency medicine. SEMA urges lawmakers to address tort reform by imposing reasonable and predictable caps on non-economic losses, punitive damages and attorney contingency fees. Until that occurs, billions of dollars will continue to be spent on unnecessary tests and procedures.
- **Gaining Public Consensus:** Skyrocketing health care costs have created a dysfunctional system in which employers are dropping insurance and premiums are rising for those who still have it. SEMA continues to support efforts to enact reforms, but the public must understand what is being proposed and the legislation must have widespread support. It is critical that the efforts be revenue neutral and that any funding mechanisms be equitable and reasonable. The reforms must also be incremental in nature since any successful effort will encompass a huge shift in the way health care is paid-for and delivered. Bringing 47 million uninsured Americans into the system without increasing the federal deficit, while expanding access to private, affordable insurance is a monumental task that needs time, detailed attention and public consensus.

Thank you for this opportunity to share our recommendations. SEMA remains committed to enacting comprehensive health care reforms that will provide access to an estimated 27 million small business owners, employees and dependents who are now uninsured.

Sincerely,



Christopher J. Kersting  
President & CEO  
Specialty Equipment Market Association (SEMA)

cc: The Honorable Harry Reid  
The Honorable Mitch McConnell  
The Honorable Nancy Pelosi  
The Honorable John Boehner  
Members of Congress