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U.S. House of Representatives

Committee on Education and Labor

Subcommittee on Health, Employment, Labor and Pensions

On behalf of The Connecticut Coalition of Taft-Hartley Health Funds, Inc. ("Coalition"), I am writing to express my support for H.R. 2833, the "Pre-existing Condition Exclusion Patient Protection Act of 2007." Before I go any further, allow me to share some background information regarding the Coalition and its members that may be helpful.

The Coalition is a non-stock membership corporation under Connecticut law, and it is operated on a "not-for-profit" basis. The Coalition was incorporated in June of 1992, and the Internal Revenue Service has confirmed that the Coalition is a tax-exempt organization under Section 501(c)(6) (business league) of the Internal Revenue Code ("Code"). In general, the Coalition's members are tax-exempt, multi-employer health and welfare funds which are governed by various federal laws, including ERISA and the Taft-Hartley Act of 1947. Each of these Coalition member funds has an affiliation with a specific labor union, and each is normally tax-exempt under Code §501(c)(9) as a "voluntary employees' beneficiary association" or VEBA.

The Coalition currently has seventeen member health funds, the vast number of which are located in Connecticut and cover Connecticut residents. I would estimate that Taft-Hartley Health Funds – the majority of which are Coalition's members - represent approximately 200,000 total covered lives in the state, consisting of active employees, retired individuals and their eligible dependents.

On a personal level, I have extensive experience with labor unions and their associated employee benefits plans. Prior to becoming the Coalition's Executive Director in January of this year, I was the plan administrator of the Connecticut Carpenters Benefit Funds for five years and the New England Health Care Employees Benefit Funds for eight years. I was also the Coalition's President from 2000 through 2007.

Coalition funds are established and funded pursuant to the terms of collective bargaining agreements negotiated by the sponsoring unions and respective employers and/or employer groups. The individual health funds are independently managed and the plan of benefits for each fund is established by their board of trustees. They provide comprehensive health coverage and often include non-health benefits such as life insurance, disability and scholarship benefits. These not-for-profit health funds are unique in the health care marketplace in that they are both payor and consumer. Under federal law (ERISA) these funds exist for the sole and exclusive

benefit of the participants and my experience is that when the funds are able to achieve savings, those savings are returned to the participants in the form of increased or improved benefits.

Taken together, Coalition member funds represent the second largest purchaser of health care services in Connecticut, after state government. Member funds spend approximately \$100 million on health care services each year. The Coalition's mission is to use the combined strengths of our members to secure the best possible health care at the lowest practical cost. Through various joint-purchasing initiatives we have succeeded in saving our member funds millions of dollars every year. We've established positive relationships throughout the industry and helped stabilize the volatile and escalating costs of health care for both our members and their employers.

After discussions with the administrators of the Coalition's member funds, I was informed that some member funds utilize a "pre-existing condition exclusion" provision in their respective group health plan, while others do not. I also learned that some member funds which had these exclusions subsequently eliminated them in the interest of offering equal coverage to all participants and beneficiaries. Member funds that have such exclusions have indicated that denials of claims for this reason are rare occurrences. Thus, even though Coalition member funds may deny a handful of claims on this basis, I believe that any plan assets which are "saved" are ultimately used to provide other benefits to participants and beneficiaries.

I also believe that the changes in H.R. 2833 will help reduce confusion in connection with the complex pre-existing condition exclusion rules. As one example, I understand that a family who had been purchasing COBRA continuation coverage for over one year from a member fund was very concerned that a pre-existing condition exclusion could be imposed on their expected child. The child is due in the last month of the COBRA period (the family would purchase COBRA for the child in that month), and the family expects to be without any coverage for just one additional month. Despite U.S. Department of Labor regulations (29 C.F.R. §2590.701-3(b)(1)) which provide that a newborn who has *any* creditable coverage cannot have a pre-existing condition imposed on him or her without a significant break (63 days) in coverage, the member fund believes that the family has been advised by a health insurance company to the contrary. So, to the extent H.R. 2833 simplifies the pre-existing condition exclusion rules and levels the playing field between the group and individual health insurance markets, this will lessen the confusion for group health plans, insurers and the individuals that they cover.

Finally, to the extent that our member funds have individuals who are medically compromised, i.e. those who are denied coverage because of a pre-existing condition, such individuals may represent a safety hazard to co-workers on the job, especially in the construction industry.

In conclusion, while there may be some costs for Coalition member funds, other group health plan sponsors and insurers associated with shortening the permitted: (i) pre-existing limitation period to exclude coverage, and (ii) "look-back" period, surely the benefits of increasing access

to health insurance coverage outweigh such costs. For these reasons, the Coalition supports the “Pre-existing Condition Exclusion Patient Protection Act of 2007” (H.R. 2833) and urges its passage.

Testimony Submitted by:

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