September 13, 2010

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

Dear Majority Leader Reid:

We write to express our support for Senate Amendment 4595, offered by Senator Bill Nelson, as a step forward in alleviating unnecessary burdens on small businesses. We also write to strongly oppose Senate Amendment 4596, offered by Senator Johanns, because it would scale back public health and prevention initiatives, raise health insurance premiums, and result in an increase in the number of uninsured Americans.

For years, on a bipartisan basis, Congress and various Administrations have attempted to close the gap between taxes owed and taxes paid. A bipartisan provision to close the tax gap was included in the Affordable Care Act passed by Congress last March simply as a source of revenue to fund new patient protections. We are committed to reducing the gap between taxes legally owed and taxes paid; however, the Administration believes that the burden created on businesses by the new information reporting requirement on purchases of goods that exceed $600, as included in Section 6041 of the Internal Revenue Code as modified by Section 9006 of the Affordable Care Act, is too great.

To address the concerns raised with section 9006, the Treasury Department has already used its administrative authority to help alleviate the information reporting burden and eliminate any duplicative reporting as we implement this requirement. We have provided an exemption from the requirement for transactions that are conducted using payment cards such as credit and debit cards. We also released a notice soliciting comments and suggestions from businesses of all types and sizes on additional ways the law can be implemented to minimize burden and avoid duplicative reporting. We look forward to reviewing these comments and will continue to use our administrative authority to minimize the burden wherever possible.

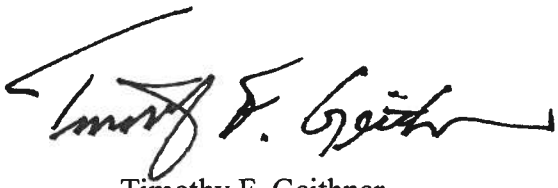
However, the Administration strongly opposes the Johanns amendment because of the damage it would do to health coverage, health costs and public health.

First, the Johanns amendment significantly weakens the individual responsibility policy in the Affordable Care Act, with a number of negative results. The individual responsibility provision requires that individuals who can afford it purchase basic insurance to reduce the "hidden tax" of the uninsured. Today, families with insurance pay as much as $1,000 more per year as a result of the uncompensated cost of providing care to the uninsured. According to the Congressional Budget Office, if the individual responsibility requirement were weakened, premiums in the Exchanges would jump by up to 4 percent as more healthy people stay out of the system until they need it. CBO also estimates that the number of uninsured would rise by 2 million and the number of people with employer coverage would drop by 1 million. While Federal costs would be lower as fewer people would receive help with premiums, this amendment would ultimately increase costs to consumers through the "hidden tax" of cost shifting that will result from less coverage and more uncompensated care.

Second, the Johanns amendment would gut the Prevention and Public Health Fund, cutting $11 billion in funding from 2010 until 2018. Chronic diseases, such as heart disease, cancer, stroke, and diabetes, are responsible for 7 of 10 deaths among Americans each year and account for 75 percent of the nation's health spending. In part for this reason, there is widespread, bipartisan support for health promotion and disease prevention. Yet, this amendment will impede our efforts to immunize children, reduce smoking, and prevent chronic diseases. It could delay patients getting the care they need early, resulting in costly and unnecessary care later. The amendment's de-funding of the Public Health and Prevention Fund could hurt both our nation's health and our efforts to control health care costs.

The Administration looks forward to continuing to work with the Congress on this issue in the course of the legislative process.

Sincerely,



Timothy F. Geithner
Secretary of the Treasury

Kathleen Sebelius
Secretary of Health and Human Services

Identical copy of this letter sent to:
The Honorable Mitch McConnell

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Minority Leader
United States Senate
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