Dear [NAME]:

I want to personally notify you that you may be receiving an additional increase to your group's health care premium. This increase is in *addition* to any annual increase you may receive. This is a direct result of the State Legislature approving the Governor's proposed increases in taxes, fees and assessments on your health benefits on February 4 as part of his Deficit Reduction Plan. And now they want to include more health insurance taxes in the state budget, including, for example, an increase in the state premium tax and a new tax on certain physician services. The new health care taxes total an additional $600 million on the backs of those struggling the most to offer and afford coverage already.

Did you know that you pay tax on your health benefits?

I'm sure many New Yorkers have no idea that health benefits are taxed in the first place – yet alone the magnitude of these taxes.

Without action, there is a good chance there will be additional increases approved in April when the legislature convenes again. There are proposals on the table that, when combined with existing taxes, fees and assessments on health benefits, will total over $4 billion dollars a year.

This amount rivals what is collected through the state's largest business tax, the State Franchise Tax. It also represents the largest single tax on jobs and employment in New York and is far more than taxes on health benefits in any other state. If the new proposals are enacted, when added together with existing taxes and fees, some of our members may end up paying up to 10 percent of their premium dollar just to taxes, fees and assessments for the State.

Will these new taxes solve the problem?

We are in a time of unprecedented economic stress across the country. This is particularly acute for all of us in New York, especially for our state government as it works to balance our budget. Empire is committed to working closely with business, community and government leaders to help New York through this difficult time in any way we can.

However, we are very concerned that, over the years, the legislators' ability to tax health benefits to fill budget holes has become a habit – rather then actually addressing underlying drivers of increasing health care costs.

The fact is, we believe that in this economy, additional taxes on health benefits will force more New York companies to drop coverage altogether. This will also leave more consumers struggling with the price of health care coverage, and it diminishes the appeal of New York as a destination for the businesses that could bring the new jobs for our communities.

What does this mean for your health coverage?

Unfortunately, misinformation has replaced the facts about what really drives increases in health care premiums and what insurance companies do with your money. But the facts are:

Services provided by Empire HealthChoice HMO, Inc., and/or Empire HealthChoice Assurance, Inc., licensees of the Blue Cross and Blue Shield Association, an association of independent Blue Cross and Blue Shield Plans, serving residents and businesses in the 28 eastern and southeastern counties of New York State.

- At least 80-90 percent of every Empire premium dollar is spent on actual health care costs, well above the minimum required by the state;

- The health insurance business is one of the few New York industries actually required to generate a surplus, or profit, in order to maintain the critical reserve funds to make sure providers and physicians are paid for services rendered; and

- Surplus reserves are needed to cover current medical claims for services rendered that have not yet been processed for payment, as well as for unexpected spikes in health care costs from natural disasters due to weather, pandemic illness (such as flu outbreak) or man-made events such as the terrorist attack on 9/11.

Using reserve funds for taxes, fees, and any other non-health care purpose, or to artificially lower rates when the cost of care under coverage is actually higher is not permitted. Doing so would endanger the long-term financial stability necessary for the health insurance industry to provide coverage when it is needed most.

What can we do about this?

This is a challenging time. And all of us as New Yorkers are facing enormous challenges: financially, professionally and personally. This increase in taxes on your health benefits should concern you. I'm asking you to consider the mandated nature of these increases, both already enacted, and those pending. Be thoughtful as you discuss the long-term impact of these taxes, fees and assessments on you and your local businesses, union benefits, colleagues and neighbors. Educate yourself about your family's health care needs and where your premium dollar really goes. Then speak up to your legislators.

Visit our site: empireblue.com/statebudget to contact your representatives today.

Or you can find out about your state representatives at sites such as
State Assembly: www.assembly.state.ny.us/mem/
State Senate: www.senate.state.ny.us/senatehomepage.nsf/senators?OpenForm

For our part, Empire will continue working with you, and for you, just as we have for the past 75 years. We helped create many of the features that distinguish New York health coverage, such as that nobody can be denied coverage because of an existing condition and that costs are kept level by "pooling" small companies and individuals with thousands of others. Our goal is to continue offering the best combination of coverage, access to more hospitals and doctors, responsive customer service and new health care coverage options that fit your particular budget.

We want your help and input to help make health care changes that create healthier, productive communities – something increasing taxes won't do. Thank you for your time.

Sincerely,

Mark L. Wagar