



**American Hospital
Association**

Liberty Place, Suite 700
325 Seventh Street, NW
Washington, DC 20004-2802
(202) 638-1100 Phone
www.aha.org

June 26, 2012

The Honorable Harry Reid
Majority Leader
United States Senate
522 Hart Senate Office Building
Washington, D.C. 20510

Dear Senator Reid:

On behalf of our more than 5,000 member hospitals, health systems and other health care organizations, and our 42,000 individual members, the American Hospital Association (AHA) supports your efforts to enact a defined benefit pension plan funding stabilization provision.

The AHA supports requirements that ensure fully funded pension plans for hospitals' dedicated workforce. But under the current economic conditions, it is imperative that some temporary relief from these requirements be granted if they are to be met in the long-term. To relieve hospitals of unrealistic and unnecessary cash obligations to their employee pension plans, Congress should again give employers some flexibility in the benchmark used to calculate pension contributions.

As part of the highway bill (S. 1813), the Senate has passed pension contribution rule changes that would insulate employers from short-term fluctuations in interest rates by basing pension plan interest rates on historical averages. The AHA supports this change and urges its quick adoption as part of the highway bill or other legislative vehicle.

The AHA welcomes your own recently announced proposal to create a "stabilization range" for employers to compute their pension liabilities. Instead of being forced to use the two-year corporate bond rates in computing their pension liabilities, the new proposal would allow hospitals to compute liabilities using rates for a 25-year period within which the two-year rates must fall. To the extent that the two-year rates fall outside of this range, the hospital would be allowed to use a rate closest to the two-year rate that falls within the stabilization range to compute its pension funding requirements. This more flexible approach would narrow fluctuations in computing pension contributions.



The Honorable Harry Reid

June 26, 2012

Page 2 of 2

Hospitals face the enormous challenge of ensuring access to care for all who need it while facing cost pressures related to growing uncompensated care and Medicare and Medicaid payment shortfalls. Congress can help hospitals meet one unnecessary cost by granting temporary relief from unrealistic pension obligations. Whether as part of the highway bill or other legislative vehicle, we urge quick adoption of pension rate stabilization.

Sincerely,

Rick Pollack
Executive Vice President