



September 9, 2009

The Work-Up

Bristling at Health Plan to Cover Early Retirees

By [STEVEN GREENHOUSE](#)

Within the battle over [President Obama](#)'s health care overhaul, critics of organized labor have latched onto a little-noticed provision in the legislation already circulating in Congress. The provision would cost \$10 billion in federal money to subsidize employer-sponsored health plans covering early retirees, as a bridge to [Medicare](#).

Labor's critics assert that the provision, aimed at retirees ages 55 to 64, is a Democratic payback to unions and would further drive up the federal deficit.

"It looks like it's just a big giveaway of \$10 billion to bail out a bunch of unionized companies," said Gregory Mourad, director of legislation for the National Right to Work Committee, a nonprofit group that often battles organized labor. "It's part of a Christmas list of giveaways to unions."

But supporters deny that the provision is a sop to labor, saying it would help stabilize the [health insurance](#) system and would benefit union and nonunion retirees alike, as well as their employers. Backers include the [United Automobile Workers](#), the [United Steelworkers](#) and the [A.F.L.-C.I.O.](#)

Variations of this program have been approved by the three House committees that have adopted health bills, and by the Senate Health, Education, Labor and Pensions Committee.

It is not clear whether the provision will be included in whatever bill the Senate Finance Committee may eventually come up with, under the chairmanship of [Max Baucus](#), Democrat of Montana. Under the provision, the federal government would pay as much as \$10 billion to cover 80 percent of the cost of an early retiree's

medical claims of more than \$15,000, with a cap at \$90,000 — at which point the employer’s plan would pay the rest.

The plan, which is called the temporary catastrophic reinsurance program by many of its backers, would in essence subsidize employer plans whenever they paid for an unexpectedly costly medical event.

Supporters say the program will cover all employer-sponsored group health plans — whether a unionized health plan for steelworkers; a state, county or municipal plan for retired firefighters; or a corporate plan for white-collar retirees.

Most significant to the U.A.W., it would also cover the health care trusts, known as VEBA — voluntary employee beneficiary associations — set up for Detroit’s autoworkers. The plan would help extend the life of these trusts before they pay out all their assets for health care.

“It has the potential to make a lot of key employers and unions pretty happy,” said John Sheils, of the Lewin Group, a health care consulting firm.

According to the Kaiser Family Foundation, the nation has 5.8 million retirees ages 55 to 64, and 3.3 million of them have employer-sponsored coverage. Health experts say no one knows how many were union members.

Supporters of the proposed program say it would help stabilize the financing of early retiree plans until the [recession](#) ends and until the full impact of a health care overhaul takes effect a few years down the road, assuming Congress does pass some form of health legislation.

The subsidies, supporters say, will help employers’ balance sheets and also preserve health coverage for those who retire before age 65, when Medicare coverage begins.

Alan Reuther, the U.A.W.’s legislative director, said the program would help persuade employers not to terminate health coverage for early retirees. If those plans are terminated, many early retirees will lose their coverage, and if

that happens, he said, many early retirees will join the new regional insurance exchanges that Mr. Obama wants to set up as part of his reform package, something Mr. Reuther said could end up costing the government more money.

“This plan is trying to encourage private employers, state and local governments and VEBAs to keep providing coverage to early retirees because that’s better for them,” Mr. Reuther said. “If they stop providing coverage, and you’re on your own and you go into an exchange, that’s bad for the exchange because a bunch of high-cost people are going into the exchange. That will push up rates for everybody else, and that will cost the government more.”

Supporters say the provision resembles one passed in 2003 when Congress created the Medicare Part D program to subsidize prescription drugs for older Americans; it took effect in 2006.

In that case, the government gave sizable subsidies to employers that offered coverage to help finance [prescriptions](#) for retirees. The goal was to discourage those employers from terminating those programs, which would have saddled the government and seniors with higher costs.

Mr. Reuther said the proposed reinsurance program was not specifically intended to help unionized retirees. “I’ve seen Fox News types saying this is a union provision,” he said. “It has little to do with unions. It’s open to any plan that has early retirees.”

But Mr. Mourad disagreed. “With the current administration,” he said, “I have a funny feeling we’ll see union-covered plans given a lot more of that \$10 billion.”

Unionized companies are more likely than nonunion ones to offer health coverage to early retirees. Forty-six percent of large companies with unionized employees offer retiree benefits, Kaiser says, compared with 24 percent for those without union workers. Over all, 31 percent of companies with more than 200 workers offer coverage to early retirees, down from 66 percent in 1988.

Many governors, mayors and county executives favor the provision because it would transfer some of their health


care costs when they face huge strains.

“We welcome this effort to help cities and towns meet some of their financial obligations for retirees who are not yet eligible for Medicare — and that often can be police and firefighters,” said Neil Bomberg, a lobbyist for the National League of Cities. “This would certainly save hundreds of millions of dollars for many cities and towns, and that would be very significant.”

Mr. Sheils voiced concern that the program would not help the neediest, but instead early retirees with employer benefits. He said he was worried that Washington would be pressured to spend billions more as soon as the first \$10 billion ran out.

Having done calculations on how rapidly the \$10 billion would be spent, Mr. Sheils said: “We found that the money would be gone in just a little bit over one year. Wouldn’t you expect them to push to extend it?”

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