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National Conference on Public Employee Retirement Systems *The Voice for Public Pensions*

**FOR IMMEDIATE RELEASE:
FURTHER INFORMATION:**

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NCPERS Opposes the Medicare Prescription Drug Bill

The National Conference on Public Employee Retirement Systems (NCPERS), the nation's largest public pension organization, called upon Members of Congress to reject the brokered Medicare Drug bill. "The Medicare Prescription Drug bill is a bad deal for public employees and most Americans," said NCPERS President Elmer Khal.

For public sector employees, the bill falls short in four key areas. Specifically, the bill:

- prohibits public employers from offering higher health benefits to pre-Medicare eligible retirees;
- minimally benefits seniors;
- radically changes the Medicare program and undermines employer-based retiree health plans;
- does not reduce spiraling drug costs.

The Bill makes Offering Good Health Benefits to Retirees Illegal

The NCPERS President stated, "The provision that prohibits health coverage to pre-Medicare retirees is anti-firefighter, anti-police, and anti-teacher. AARP sold-out these heroes who will lose their health insurance before they can retire or have to retire."

Currently, many jurisdictions provide health benefits to pre-Medicare eligible retirees to bridge the gap between retirement age and Medicare eligibility. In most cases, these pre-Medicare health benefits are better than post-Medicare benefits because once retirees reach age 65, the employer-based health plan becomes the secondary insurer. If the Medicare bill becomes law, this practice would be in violation of the law and public sector retirees will lose their health benefits.

"The bottom line is that eventually firefighters and police officers—who retire earlier than 65, some with mandatory retirement ages—and teachers will lose their employer-provided health benefits and have no health insurance until they reach age 65 and become Medicare-eligible," said President Khal.

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The Bill Minimally Benefits Medicare Beneficiaries

Beneficiaries who choose to enroll in the drug program would have to pay a monthly premium of \$35 (\$420 per year) plus an annual deductible of \$275. For this upfront cost of \$695, the program would cover 75% of drug costs up to \$2,200. The beneficiaries would pay the remaining 25%. For drug costs between \$2,200 and \$3,600, Medicare would pay nothing. And for drugs above \$3,600, Medicare would cover 95% of the costs.

Thus, if a beneficiary had actual drug costs of \$3,600, Medicare would cover only \$955 and the beneficiary would be responsible for the remaining \$2,645. In other words, Medicare would cover less than 27% of the costs, while the beneficiary would bare 73% of the costs.

The Bill Radically Changes Medicare and Undermines Employer-based Retiree Health Plans

A central provision in the agreement is to pit traditional fee-for-service Medicare (in which more than 90% of beneficiaries are enrolled) against private health plans. This provision, known as “premium support,” is slated to begin as a demonstration project in six metropolitan areas in 2010. However, this could be the first step in privatizing Medicare and transforming it from an entitlement program to a defined contribution health plan.

The agreement would also allow employers to dump their retirees from their more generous health plans into Medicare. While the agreement sets aside approximately \$70 billion in subsidies and tax breaks to entice employers to keep their retirees on the employer-based health plan, this translates into a subsidy of only \$0.28 for every dollar an employer spends on drug costs between \$250 and \$5,000.

Additionally, the proposal would—for the first time—require means-testing so that middle-class beneficiaries would pay higher premiums for Medicare medical insurance (Part B), which covers doctor visits and other outpatient services.

It also does nothing to address the costs of prescription drugs that are spiraling out of control.

For all these reasons, NCPERS is opposed to the Conference Report on HR 1 and has asked our members to contact their Members of Congress and urge them to vote “No” on the bill.

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The National Conference on Public Employee Retirement Systems (www.NCPERS.org) was founded in 1941 and is headquartered in Washington, DC. Our membership includes over 500 pension funds representing \$2 trillion in assets. We represent pensions on Capitol Hill, provide trustee education, and deliver essential pension information to trustees, administrators and public officials.