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Congress of the United States  
House of Representatives  
**COMMITTEE ON ENERGY AND COMMERCE**

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December 14, 2011

To: Energy and Commerce Committee Members

From: Subcommittee on Oversight and Investigations Majority Staff

Re: Impending Exhaustion of Funding for Early Retiree Reinsurance Program

The Early Retiree Reinsurance Program (ERRP), a \$5 billion fund which was hailed by the Obama Administration as one of the key early benefits of the Patient Protection and Affordable Care Act (PPACA), was supposed to provide early retiree benefits until January 1, 2014. Instead, the ERRP has exhausted its funding so quickly that the program will be shut down at the end of 2011, two years prematurely. According to information provided by the Center for Consumer Information and Insurance Oversight (CCIIO), located in the Centers for Medicare and Medicaid Services (CMS), the ERRP will no longer be able to accept claims for payment made after December 31, 2011—a full two years before the statutory sunset date of January 1, 2014.

CCIIO, the government organization responsible for implementing many of the expensive changes mandated by PPACA, expended the \$5 billion ERRP budget with remarkable speed. As of December 9, 2011, the ERRP had spent \$4,533,811,755.13 of its \$5 billion budget. That number accounts for 91 percent of a budget that was intended to last for 1,310 days. Instead, CMS spent it in 579 days, quickly doling out the vast majority of the money to unions that support the Administration and to large profitable corporations. This accelerated rate raises serious questions about the overall spending estimates in PPACA. If the Administration exhausted an entire \$5 billion budget approximately three times faster than estimated, what does

that portend for the accuracy of the cost estimates cited in support of the other expensive aspects of the trillion dollar health care reform law?

The ERRP authorized the federal government to subsidize state governments and successful private enterprises that would not otherwise have been able to obtain approval for taxpayer funding for their health care costs. It is doubtful that even the most ardent supporters of PPACA thought the law would subsidize such profitable corporations as BMW of North America, or hoped that PPACA would finally spend taxpayer money on the makers of Gallo wine. In light of the federal government's mounting debt, such wasteful programs are not appropriate uses of taxpayer funds.

The top beneficiary of taxpayer money doled out through the ERRP was the UAW Retiree Medical Benefits Trust. Public employees from Ohio and California continue to claim the majority of funding directed to state governments. The following are the top twenty recipients of ERRP funds:

1. UAW Retiree Medical Benefits Trust - \$387,187,079.91
2. AT&T Inc. - \$213,785,782.47
3. Public Employees Retirement Systems of Ohio - \$180,084,871.53
4. Verizon Communications Inc. - \$162,963,934.39
5. California Public Employees' Retirement System - \$131,427,842.85
6. State of New Jersey Treasury Dept-Pension Accounting Services - \$98,606,767.15
7. Commonwealth of Kentucky - \$95,474,717.87
8. State of New York - \$88,424,150.59
9. Board of TTEE of Teachers & State Employee Comp Major (North Carolina) - \$87,462,203.90
10. State Teachers Retirement System of Ohio - \$75,998,235.89
11. Teacher Retirement System of Texas - \$70,629,796.52
12. State of Michigan Public School Employees Retirement System - \$64,379,629.24
13. National Carriers' Conference Committee - \$60,016,186.58
14. GA Dept of Community Health - \$57,936,127.14
15. Commonwealth of Massachusetts - \$51,311,601.20
16. The Boeing Company - \$50,160,904.55
17. State of Michigan - \$46,936,209.66
18. Alcatel-Lucent USA Inc. - \$42,438,273.81
19. General Electric Company - \$38,588,700.79
20. Commonwealth of Pennsylvania - \$32,192,146.40

These twenty recipients of taxpayer funding account for \$2 billion of the \$5 billion total of ERRP spending. In other words, nearly half of the entire \$5 billion program will be spent on just *twenty* entities. A full list of recipients is available [here](#).

The failure of the ERRP and the decision by CCIIO to end the reimbursement of ERRP claims at the end of 2011 confirms the warnings issued by Republican Members of the Energy and Commerce in [March 2011](#). At that time, the Republican members warned that the program

was depleting its funding far more rapidly than originally estimated, and was sending the money to entities that should not have received taxpayer monies.

Administration officials have suggested that their ability to give away taxpayer money so quickly is simply evidence of the program's popularity. However, the ability to spend money quickly does not justify spending it in a wasteful manner. Like PPACA itself, the ERRP simply threw money at a problem—here, the cost of retiree medical care—without doing anything to address the skyrocketing costs of that care. The program had no rational basis or justification, and simply bailed out overextended state programs, wasted taxpayer money that otherwise could never have been justified or spent on a case-by-case basis, and unnecessarily doled out taxpayer funds to some of the nation's most profitable corporations.