

April 12, 2010

To: NRLN Grassroots Network Members  
From: NRLN President Bill Kadereit  
Subject: NRLN Action Alert: Threat to Retirees' Prescription Drug Benefits

It is time to write a "we asked you not to do that" letter to your members of Congress.

You may recall that on December 29, 2009, the NRLN issued an Action Alert asking our Grassroots Network members to email letters to their members of Congress urging them to remove a provision from the House and Senate health care bills that would deny employers the tax deduction on federal subsidies for Medicare Part D prescription drug plans. You told your Representative and Senators that this provision would encourage companies to drop prescription drug benefits for millions of retirees.

Unfortunately, the lawmakers who voted for the final passage of the health care bill did not listen. Now, many members of Congress are expressing shock that major companies have filed statements, as required by law, with the Securities and Exchange Commission that they will encounter costs totaling billions of dollars because of their inability to write-off the Part D subsidy. The health care cost disclosures ultimately may shave as much as \$14 billion from U.S. corporate profits, according to an estimate by benefits consulting firm Towers Watson. Here are a few examples: AT&T \$1 billion; Verizon \$950 million; Boeing and Deere & Co. \$150 million; Caterpillar \$100 million.

When Congress created the Medicare Part D prescription drug plan in 2003, it encouraged companies to provide Medicare-eligible retirees prescription drug benefits by providing a tax-free 28% subsidy. This has been a tremendous savings to the federal government on Medicare and a benefit highly valued by retirees. It makes no sense to eliminate, in the name of health care reform, the tax break that induced some 3,500 companies to provide prescription drug coverage to more than 6 million Medicare-eligible retirees.

No one knows at this point whether the change in the law will cause companies to eliminate their prescription drug benefits for retirees age 65 and older. However, AT&T stated in its SEC filing, "As a result of this legislation, including the additional tax burden, AT&T will be evaluating prospective changes to the active and retiree health-care benefits offered by the company." News reports have quoted similar statements from a number of other companies.

AT&T and other companies' well publicized retaliatory scare tactics have led to fear and anxiety among retirees that once again highlights the extraordinary power companies have to take back earned benefits of retirees long after they retire. It is time for Congress to put a stop to these take backs.

I am asking members of the NRLN's Grassroots Network to email the NRLN's sample letter to members of Congress. Ask them to repeal the provision eliminating the corporate tax break and enact the NRLN's Maintenance of Cost Proposal (MCP). The MCP would establish a fixed monthly payment to retirees equivalent to the value an employer provided prior to the reduction or cancellation of retirement health care, prescription drugs, life insurance, long-term care or other benefits. Companies would be entitled to tax credits as an offset to MCP payments.

Please go to <http://capwiz.com/abtr/home/> to access the NRLN Action Alert. Look for the Action Alert headline: THREAT TO RETIREES PRESCRIPTION DRUG BENEFITS . Click on the "Take Action" button. On the next screen, type in your zip code and click "GO" to identify your elected representatives and access the sample letter. Be sure to personalize the letter with your own comments. If you have a problem accessing the Action Alert with the above link, go to [www.nrln.org](http://www.nrln.org) and click on the "Take Action Now" headline at the top of the NRLN website's home page. Send your email today.

Also, I urge you to call the Washington, DC or state/district office of your Representative and Senators. Use the information in the sample letter to express your concerns about companies eliminating prescription drug and possibly other health care benefits due to the new health care reform law. Phone numbers can be found

through the NRLN's Capwiz website at <http://capwiz.com/abtr/dbq/officials/> . The more constituents who write and call their members of Congress, the better chance there is in gaining their attention on retirement issues.

We need the support of all of our Grassroots Network members and we need you to encourage your friends to sign up as Grassroots Network members at <http://capwiz.com/abtr/mlm/signup/> . Not only do we need you and your friends to email letters to Washington and talk with your members of Congress, we also need your financial support through an individual member contribution of \$25, \$50, \$75 or more. Any amount you can contribute will be appreciated. You may make your check or money order payable to **NRLN, Inc.** and mail it along with the Membership Contribution Form at: <http://www.nrln.org/printad.htm>. Or, you may make your contribution online with your credit card through PayPal on the NRLN website at <http://www.nrln.org> by clicking on the "Memberships" icon at the top of the home page and selecting the "Support the NRLN" link.

I recognize that many of the NRLN's Grassroots Network members have already experienced the elimination of their health care benefits by their former employer. I urge those individuals to still write to their lawmakers to try to preserve the company-sponsored benefits that many retirees still have. As retirees, we are all in this together and we need to help one another as much as we can.

Bill Kadereit, President  
National Retiree Legislative Network

Sample Letter:

Dear Representative \_\_\_\_\_: Dear Senator \_\_\_\_\_:

In late December 2009, retirees affiliated with the National Retiree Legislative Network (NRLN) emailed thousands of letters to members of Congress urging them to remove a provision from the House and Senate health care bills that would deny employers the tax deduction on federal subsidies for Medicare Part D prescription drug plans. The Representatives and Senators who voted for the passage of health care reform ignored our plea. Now a number of members of Congress are shocked that many major companies have made regulatory filings stating that the health care bill will cost their firms multi-millions of dollars.

When Congress created the Medicare Part D prescription drug plan in 2003, it encouraged companies to provide Medicare-eligible retirees prescription drug benefits by providing a tax-free 28% subsidy. This has been a tremendous savings to the federal government on Medicare and a benefit highly valued by retirees. It makes no sense to eliminate, in the name of health care reform, the tax break that caused some 3,500 companies to provide prescription drug coverage to more than 6 million Medicare-eligible retirees.

A number of employers are saying that as the result of the additional tax burden in the new health care law they are considering reducing or eliminating health care benefits provided to employees and retirees. As a retiree, this scares me!

The corporate disclosures, tied to the 2013 elimination of a tax break on retiree drug benefits, ultimately may shave as much as \$14 billion from U.S. corporate profits, according to an estimate by benefits consulting firm Towers Watson. Federal officials have estimated that the tax exemption will raise about \$4.5 billion in government revenue over 10 years. How can any member of Congress think that makes good sense, especially when millions of retirees are also going to be hurt by the elimination of benefits?

I want to urge you to take two actions:

1. Repeal of the misguided provision that denies employers the tax deduction for federal subsidies for Medicare Part D prescription drug plans;
2. Enact the NRLN's Maintenance of Cost Payment (MCP) proposal. The MCP would establish a fixed monthly payment to retirees equivalent to the value an employer provided prior to the reduction or cancellation

of retirement health care, prescription drugs, life insurance, long-term care or other benefits. Companies would be entitled to tax credits as an offset to MCP payments.

NRLN President Bill Kadereit described the MCP proposal in a House Education and Labor Committee hearing on September 25, 2008. If you would like to read the NRLN's whitepaper on MCP, please contact Marta Bascom, NRLN Executive Director, at 703-863-9611 or by email at [marta.bascom@linkspace.net](mailto:marta.bascom@linkspace.net) .

I urge you to exercise your influence to prevent the harm retirees are most certainly going to suffer as the result of the elimination of the tax deduction for federal subsidies for prescription drug plans. Since so much of the health care reform is being financed through cuts to Medicare, the least Congress can do is preserve the few company-sponsored benefits that retirees still have today.

Sincerely,