



NRLN Focus



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The NRLN Clarion Call... Medicare - Part of the American Mantra **Can Retirees Survive the Perfect Storm?** By Bill Kadereit, NRLN President



When Congress enacted the Employee Retirement and Income Security Act, the Social Security Act, and the Medicare Act, the citizens of the United States were optimistic that Congress institutionalized a balanced approach. The hope was that Social Security and Medicare would have equal status with anti-trust laws, labor laws, patent and trade protective mechanisms and a monetary and banking system that could serve as an integrated mantra that would guide our economy, protect and grow the industrialization of our country and ensure equity for all stakeholders.

Citizens couldn't conceive these laws would succumb to right or left wing zealots or a Congress more interested in campaign contributions, super-PACS, and the upper hand of political parties than the commitment to that American mantra. Over 30 years of lobbying, political contributions and poor leadership have diluted the resolve of our nation to stand for core values. It starts and ends on the Hill and in the White House.

Retirees deserve to know that members of Congress spent \$1.7 trillion of Social Security money on wasteful or unnecessary projects like bridges to nowhere. Part of that money was used to support Medicare. They must pay back that money over the next 10 years by cutting the already ballooning federal budget and deficit. Just three presidents ago the federal debt was not debt at all, there was a surplus. Members of Congress and federal agency heads and their staffs knew that baby boomers were coming. They blew it and the mantra has been eroding and giving way to special interests that have absolutely no desire to compromise. With elections coming up, all we hear is blame game sound bites, the din of political warfare and a Congress that will not slash foolish spending (not including Social Security or Medicare) or raise taxes to keep the covenant. Neither the global economy nor Wall Street can be blamed for fiscal irresponsibility, but ethical decay can be.

In an earlier FOCUS article I wrote about the risks to Social Security. This column is about Medicare. Medicare is at risk but the solution is not slashing benefits. The solution is for Congress to admit that for 30-plus years it failed to properly fund the Medicare commitment with one or two small (.5% - 1.0%) payroll tax increases that were absolutely necessary to fund both Social Security and Medicare to account for the baby boomers. Congress knew very well that baby boomers were coming. This is not a Republican or Democrat party issue, it is an individual ethical and moral issue. There is no will to refuse special interest financial contributions, to keep faith with the mantra laid down by predecessors. The parties are cowardly, the process is compromised, and party warfare has displaced the mantra.

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Health care payments are a serious obligation, but health care costs are leading an economic death march. On June 11, Health and Human Services Secretary Kathleen Sebelius announced that baby boomers have arrived. She said that about 48 MILLION AMERICANS ARE RELYING ON MEDICARE AND THAT 11,000 BABY BOOMERS A DAY BECOME ELIGIBLE FOR MEDICARE! At that rate, Medicare will enroll about 4,015,000 in the next 365 days. That's a projected increase of 8.4% in enrollees.

Sebelius also said that Medicare paid out \$552 billion in 2011. About 48 million participants were paid an average of \$13,500 each. In 2008, the bill was \$449 billion; in 2009 it was \$491 billion (up 9.3%); in 2010 it was \$524 billion (up 6.7%), and in 2011 it was \$552 billion (up 5.3%).

Over time, baby boomer attrition will lower enrollment and the total cost of Medicare will decline—but only if skyrocketing health care costs can be brought under control. A short term tax fix with a fixed sunset date would neutralize this actuarial problem. Options include raising the payroll tax across the board, proportionally according to income level or some other tax scheme over a 25 year period. It would be important to remove the higher tax once Medicare annual payroll tax revenue could sustain the then current-year payments.

Health care costs are increasing at double the rate of inflation and according to Medicare's nonpartisan Office of the Actuary, about 2% faster than the overall economy. These costs are correctly attributed to health care provider price increases that come in the form of higher insurance premiums, hospital and doctor provided goods and services, prescription drugs, etc. Medicare Advantage Plans were created to compete with Medicare but until Congress completely stops paying insurance companies to add benefits that are charged back to Medicare no one can ever claim that these plans have done anything but increase the cost of care when compared with Medicare's true cost. Why do many members of Congress promote this myth? Because they would love to unload Medicare onto the private sector so they don't have to deal with the problem of health care and because all but a very few Republicans and Democrats receive sizeable campaign contributions from private sector health care industry providers.

We are not a socialist state - I have heard no one propose one. Socialized medicine includes government ownership of bricks and mortar like hospitals and clinics, doctors on the government payroll etc. and fixing prices. None of these are supported by many in our country. Government should get out of the Medicare Advantage business, allow free markets by insisting that the FDA approve importation of safe prescription drugs, insist that doctors not own a financial or fraternal interest in MRI centers or other clinics where they might refer patients, and in general take down all barriers that impede lowering of health care costs.

The perfect storm has already landed on our shores. U.S. corporations are the first to be astute enough to recognize that health care costs have been out of control for at least 15 years. Their solution has been to shift all health care cost increases to employees and retirees. In fact, their silence during the Obama health care plan debates was deafening. Why? Because in 2014 they can, and many will, shed health care plans, forcing retirees and employees to buy them through state exchanges. If today Medicare costs the consumer less for the same basket of services provided by private insurers who operate with higher overhead and profit, why would we think blaming Medicare for the cost of healthcare in this country makes sense?

The shifting of uncontrolled health care cost increases to well over 50 million retirees and others, except for credit due to Medicare negotiations on our behalf, and a Congress not interested in doing anything that could negatively affect their elections or parties, are two of the primary factors in the creation of the perfect storm or American economic crisis. The third is the undermining of income security of the average retiree,

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particularly the reduction of defined benefit pension plans, the tanking of 401k plan values that may supplement but can never replace defined plans and, of course, the prospect for Social Security benefit reductions.

These events already in motion are creating a cataclysmic erosion of purchasing power, an increase in insolvency and a significant increase in personal bankruptcies, particularly among older Americans. These are major contributors to our economy's paralysis. The problem is not Medicare – it is the cost of health care products and services that both Medicare and private insurers must buy.

WHAT CAN YOU DO? DON'T ELECT ANYONE RUNNING FOR OFFICE WHO CANNOT EXPLAIN WHAT THEY ARE GOING TO DO TO FIX HEALTH CARE COST PROBLEMS THAT WILL SAVE MEDICARE AND OUR ECONOMY AND DON'T VOTE FOR ANYONE WHO PRETENDS THE PROBLEMS DON'T EXIST OR BELONG TO THE OTHER POLITICAL PARTY!

Report on Key NRLN 2012 Survey Results

During a four-week period in April and May, there were 11,127 NRLN Grassroots Network Members who participated in all or parts of the 2012 NRLN Future Directions Survey, a significant response rate of more than 20% of those invited to access the survey. This was an 11% increase over the number of participants in the 2009 survey.

"The information gathered in the survey will help the NRLN and retiree associations better understand members' views on important retirement issues," NRLN President Bill Kadereit said. "The data will help us determine whether we are on the right track with our priorities or if we need to make adjustments in order to better serve our members."

Survey Demographics

Participants in the 2012 survey are retired from 147 companies and public entities with nearly 2% of those responding still employed. Among the survey participants 81% were salaried retirees. Formerly union represented retirees composed 14% of the survey participants. The balance of those responding included vested former employees with future pensions, spouses or surviving spouses of retirees and active employees.

The NRLN requested the age ranges of the survey participants since certain age milestones are significant. For example, at age 70 ½ retirees are required to begin taking annual distributions from their 401K savings plans and I.R.A.'s. The 70 ½ and older age group represented 46% of the survey participants.

At age 62, retirees are eligible for Social Security and at age 65, they become eligible for Medicare. The survey participants between age 65 and 70 ½ accounted for 30%. Those ages 55 to 60 represented 23% of the survey participants. Combined, those age 50 to 54 and younger than 50 accounted for 1% of the participants.

The following demographics demonstrate the importance of the NRLN's mission to protect retirees' pensions, Social Security and Medicare:

- 86% receive a defined benefit pension.
- 24% receive half or more of their income from Social Security.
- 43% receive 25% to 49% of their income from Social Security.

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- 32% stated they could not make it financially if their Social Security payment was reduced.
- 76% are on Medicare.

Highest Agreements

The highest levels of agreement—more than 80%—among survey participants included:

- 95% agreed the NRLN should support legislation to stop corporate use of pension assets to pay for lump-sum layoff or severance pay from management (non-union) pension plans.
- 93% agreed the NRLN should continue to exist.
- 92% agreed the NRLN should direct its priorities toward assuring that companies are able to pay pensions as promised by getting stronger pension laws passed.
- 91% agreed the NRLN should support legislation to accelerate bringing generic drugs to market.
- 88% agreed the NRLN has been beneficial to retirees.
- 89% agreed the NRLN should support legislation to legalize the importation of safe and cheaper prescription drugs.
- 84% agreed the NRLN should support forcing corporations to pay retiree health care Maintenance-of-Cost-Payment when benefits are reduced or eliminated.

Ranking Legislative Priorities

On the question that asked survey participants to rank order the top five NRLN Legislative Objectives, the rankings were:

1. Protect retirees' pensions and benefits in corporate mergers, acquisitions and spin-offs.
2. Protect pension plan assets by preventing companies from using assets to pay lump-sum severance or layoff payments.
3. Ensure that Social Security is adequately funded to maintain current benefits for present and future retirees.
4. Ensure the adequate funding of Medicare to maintain current benefits for present and future retirees.
5. Reduce prescription drug prices through the importation of save prescription drugs from countries approved by the Federal Drug Administration (FDA).

Health Care and Life Insurance

Sixty-one percent of survey participants have access to health care benefits provided by former employers and 54% receive some level of employer-sponsored health care benefits. Fifty-one percent of the survey participants receive their prescription drug plan from their former employers. Thirty-four percent have catastrophic health care coverage from an employer-sponsored plan.

Three quarters (76%) of the survey participants said the NRLN should make them aware of other health care insurance plans that could supplement or replace their former employer's plans.

On the issue of life insurance, 45% of survey participants have a life insurance benefit from their former employers, but 34% have had the amount of their company-sponsored life insurance reduced and 17% have had their company-sponsored life insurance eliminated. There were 57% of the survey participants who said the NRLN should assist retirees/spouses with information on life insurance coverage.



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Impact of Health Care Costs

Survey participants were asked to rank order health care cost factors, including premium costs that affect their annual budget, on a 1-5 scale with 1 being the highest cost. The results were:

1. Premium Costs.
2. The deductible I pay before coverage kicks in.
3. The copay I pay the Hospitals, Doctors or Rx Drug providers every time I have a claim.
4. The co-insurance I pay – the amount I am liable for after premium, deductible, copay and insurance payments.
5. The total cost I pay when my insurance simply does not cover or pay anything for treatment.

Survey participants were asked based upon what you know, from what you hear, see and have experienced, please rank order from 1-4 with 1 being the highest, which health care annual cost increases you believe are out of control (least rational).

1. Hospital service and Materials Costs.
2. Insurance company Premium Costs.
3. Prescription Drug Costs.
4. Physician's Fees.

Social Networking Media

With the advancement of social networking media, a question was included about Facebook and Twitter.

- 37% said they have a Facebook webpage.
- 32% said the NRLN should have a Facebook webpage. (The NRLN is developing a Facebook webpage.)
- 3% said they receive Twitter messages.
- 14% said the NRLN should send out Twitter messages. (The NRLN is not intending at this time to send out Twitter messages.)

Improvements Needed

Kadereit said he would like to see Grassroots Network Members make improvements in two areas. Only 39% of the survey participants have read the NRLN Legislative Agenda. (It is available to read on the NRLN website by clicking on the "Legislative Agenda" link).

Only 58% of the survey participants usually read and take the action requested when the NRLN sends out an Action Alert. Kadereit said this needs to improve in order to have a stronger voice on Capitol Hill from voters back home.

More Survey Data on Website

There is not sufficient space in this newsletter to report all of the survey responses so the NRLN has posted a link on the NRLN home page to the entire data from the survey except for demographics on retiree association affiliation and the responses to questions where personal comments were given or personal contact information was provided. NRLN leaders will be reviewing all feedback presented and the information submitted by volunteers.



AMRRC President Elected to NRLN Board



Paul Mazzara, President of the American Airlines Retirees Association (AMRRC), was elected to the NRLN Board of Directors during the Board's May 30, 2012 conference call.

Mazzara, who lives in Kansas City, MO, is a "dual retiree" as an airlines mechanic for TWA (1979 – 2001) and American Airlines (2001 – 2010). With both companies he was a leader in the Transport Workers Union locals.

With American Airlines, after the merger of TWA, he served for nine years as Local Benefits Chairman plus seven years as AA/TWU Systems Vice Chairman Benefits Committee.

As Benefits Chairman he assisted members with a wide number of benefits issues, including Social Security disability claims, Medicare enrollments, Health Care Tax Credit applications and many other benefits. As Systems Vice Chairman he was responsible for coordinating and meeting with the company on all aspects of AA benefits.

Since retiring from American Airlines, Mazzara has been the Owner/President of Retirement Benefits Association. As a certified Medicare Counselor, he helps retirees understand Medicare and assists with Medicare enrollment. He also serves as a resource for individuals who need advice on health care, dental, vision and other benefit plans. Mazzara notes that he does not sell insurance and all recommendations are based solely on each person's needs.

A View From Washington

By Marta Bascom, NRLN Executive Director

Supreme Court Decision May Trigger New Health Care Debate



The Supreme Court is expected to deliver its decision on the case involving several provisions of the Patient Protection and the Affordable Care Act ("PPACA") this month (June) after having entertained three days of oral arguments this past winter. There is a great deal of speculation as to the fallout for President Obama's health care initiative depending on what the court decides. If the court strikes down any of the provisions at issue, it could have significant ramifications for under-65 retirees as it could weaken the health insurance exchanges set for implementation in 2014 and will likely open up a heated debate in time for the presidential campaign season.

The court was asked to examine the constitutionality of the insurance mandate requiring all individuals to

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carry health insurance or otherwise face a penalty. The court will also rule on provisions which would effectively expand Medicaid as well as provisions which prohibit an insurance carrier from denying insurance due to a precondition. Technically, the striking down of any of these provisions does not strike down the law as a whole; many of the provisions can survive on their own. However, some provisions are more powerful than others in terms of their reach into other areas of the law.

Specifically, the insurance mandate is a lynchpin provision which provides an important funding mechanism for the whole system. Should the court strike down the mandate, the law is expected to cover fewer people and be more expensive. The primary purpose of the mandate was to ensure that the maximum number of individuals possible pay into the health care system and lower costs per participant. Without the guaranteed number of participants through the mandate, that goal is in jeopardy.

Where this leaves younger retirees under the age of eligibility for Medicare and without health insurance from a former employer is the big question. Many policy makers in support of the PPACA on Capitol Hill assured these retirees that their insurance status would be secure once the exchanges were in place. This seemingly took politicians off the hook from having to reach a different – and likely more expensive – solution for providing some kind of reasonably-priced coverage for under-65 retirees in a shrinking workforce.

Retirees have been skeptical, and rightly so. The debate on the PPACA, before and after enactment, has been politically charged. Depending on whom you ask, the cost factor may be its ultimate demise. On top of all that, the exchange system will have a great deal of growing pains throughout its implementation even if it survives the Supreme Court challenge.

All of this leaves early retirees with even more uncertainty. The NRLN believes that sharing your concerns is the healthiest approach to getting satisfaction. Tell your Members of Congress about your concerns. Even better – get together with your friends, family and neighbors and tell them to all share their concerns with their Members of Congress. Sometimes you need to give someone a piece of your mind in order to get peace of mind.

National Retiree Legislative Network, Inc.

The NRLN is the only nationwide organization solely dedicated to representing the interests of retirees and future retirees. Our mission is to secure federal legislation to protect retirees' employer-sponsored pensions and benefits plus keep Social Security and Medicare strong.

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