



# NRLN Focus



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Summer 2014

## ***The NRLN Clarion Call ...***

### **Retirees' Income Security and Health Care Costs** By Bill Kadereit, NRLN



In addition to our work on income security issues such as de-risking and pension plan financial disclosures, the NRLN has been active in pointing out to Congress that the purchasing power of retirees and the long-term success of Medicare in America is largely dependent upon the reduction of health care costs such as prescription drugs and elimination of Medicare fraud. We believe that this focus will directly affect the income security and health care costs of all retirees, both under and over age 65.

#### **Update on Pensions and Income Security**

On May 14 and 15 a group of NRLN association leaders from the Lucent and Chrysler Retiree Organizations along with Marta Bascom, our Executive Director, Michael Calabrese, our Legislative Advisor, and myself were in Washington, D.C. to request an urgent review of company practices regarding de-risking of pension plans. We met with the Department of Labor, Employee Benefit Services Administration (EBSA) and with staff members of the Senate Finance Committee and the Senate Health, Education, Labor and Pension (H.E.L.P.) Committee and the staffs of Senators Sherrod Brown (OH) and Debbie Stabenow (MI).

Companies have been offering lump sum pension buyouts that save them money and if they voluntarily terminate a plan have purchased annuity contracts that replace current plan payments. The first and largest of these lump sum offers and replacement annuity contracts was associated with the General Motors management plan buyout and termination. Then came a large Verizon management plan annuity scheme. Just five days before we left for Washington, Alcatel-Lucent announced that it will offer in 2015 lump sum buyouts to 45,000 of its 100,000 management plan participants.

#### **Dangers in De-risking and Lump Sum Buyouts**

The dangers involved with these so called de-risking moves are that lump sums, while they can be beneficial depending upon individual circumstances, can actually pay out less over the long term. There are numerous reports about stock market losses and retirees spending lump sum cash early then not having enough invested to live comfortably. On the other hand, lump sum payouts generally save companies money. Annuities cost companies roughly 8 - 9% more but allow them to eradicate the pension liability from the balance sheet. Annuities are not protected by ERISA and therefore PBGC insurance is lost. With regard to annuities, companies are often hand picking groups of retirees who will receive annuities and each de-risking scheme has been unique with regard to each company.

At our EBSA meeting and at those on Capitol Hill we presented details of the NRLN's position on de-risking and Annual Funding Notice disclosure, or lack thereof, in the data currently sent to retirees every April. There is interest in our proposals and we are currently following up with development of a formal request to Congress seeking to open an investigation into the need for better retiree de-risking protections and more transparency in pension plan disclosures.

You can read the NRLN's de-risking and disclosure whitepapers at [www.nrln.org](http://www.nrln.org).

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### **Control and Reduction of Health Care Costs**

Our NRLN legislative agenda regarding lower health care costs calls for Congress to address what has to be done to slash Medicare spending to offset the effect of baby boomers causing a bulge in Medicare participants. We have repeatedly said the root cause for health care budget crises is the escalation of health care costs. It's brand name prescription drug pricing where importation and competitive bidding are forbidden. In general Congress has failed to pass bills that enable savings. It's about fraudulent Medicare benefit claims, doctors over prescribing, the avoidance of less costly treatment and Medicare rules that should be changed.

One Medicare rule requires that in order to be eligible for skilled nursing facility (SNF) services you must have been hospitalized as an inpatient for at least three days beforehand. Instead of an outpatient preceding SNF, doctors may order inpatient treatment lasting three days or more or may treat the illness as chronic when it could have been resolved as an outpatient, thus avoiding hospitalization costs.

Fortunately, we are beginning to see action taken. For example, there are now House and Senate bills that have been introduced that would permit safe, less expensive drug importation and would allow Medicare to request bids for prescription drugs. Also, there is a House bill that would eliminate the three-day inpatient requirement. NRLN members have sent tens of thousands of messages to Congress supporting these bills. While we applaud the effort by Congress, we know this is an election year; until bills are passed and signed by the President we haven't won.

### **Rampant Medicare Fraud**

An owner and operator of community mental health centers in Baton Rouge, LA., and Houston, TX, were convicted on May 21st for their roles in a \$258 million scheme to submit thousands of false billings to the government. Recent articles point out that Medicare fraudsters are costing taxpayers \$60 to \$90 billion a year, a bipartisan group of Senators is proposing legislation to address such fraud.

Chairman of the Special Committee on Aging, Democratic Senator Bill Nelson (FL), and a group of Senators are proposing ways to loosen rules so that insurers and other medical providers can share information that more quickly identifies scammers, especially to ensure they can't do it again. Nelson, who calls his home state "ground zero" for Medicare fraud, took to the Senate floor on May 20th to talk about the committee's extensive examination of the fraud running rampant in Medicare.

#### **The Bill, the Stop Scams Act of 2014, would:**

- Allow private insurers to share information about potentially fraudulent providers with each other and Medicare.
- Set up a screening mechanism so that providers who held ownership interests in organizations that defrauded Medicare would be identified and blocked from having another whirl through a different company.
- Require full end-to-end testing of new medical diagnostic codes so that fraud prevention systems work properly and payments to providers aren't delayed.
- Permit the Medicare Payment Advisory Commission to make recommendations for checking fraud, while requiring the panel to come up with a way of estimating how many tax dollars are lost to fraud each year.

"To combat this fraud, it's going to be one of the core missions of our Aging Committee," Nelson said.

Coauthor of the bill is Republican Senator Susan Collins (ME). Sponsors also include Democratic Senators. Tom Carper (DE) and Bob Casey (PA), as well as Republican Senator Chuck Grassley (IA).

In summary, we have just scratched the surface on de-risking and disclosure but we have our foot in the door and are confident the right people are interested in further exploration. While it is heartening to see at least some bi-partisan interest and action in the form of bills and new and revised Medicare rules, health care costs are far from trending in the right direction. When health care cost growth is lower than CPI growth and baby boomers pass through the system we can breathe easier. The NRLN will continue to lobby for these results.



## NRLN 2014 Survey Results Help Set Priorities

During a three-week period in May, there were 6,146 NRLN grassroots advocates who participated in all or parts of the 2014 NRLN Future Directions Survey, a significant response rate of more than 48% of those who opened the email invitation to access the survey.

"I want to express my appreciation to those who took a few minutes to respond to the 2014 NRLN Future Directions Survey," said NRLN President Bill Kadereit. "I was particularly pleased that 235 individuals volunteered to provide assistance to the NRLN. We will review their input and contact those who have identified skills that we need."

Kadereit said the data in the survey will help the NRLN and its retiree associations and chapters gain a better understanding of what is important to retirees and future retirees plus indicating whether we have set the right priorities.

### Survey Demographics

Participants in the 2014 survey are retired from 104 companies and public entities with nearly 2% of those responding still employed. Among the survey participants 82% 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 55% 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 28%. Those ages 55 to 64 represented 16% of the survey participants. Combined, those age 50 to 54 and younger than 50 accounted for 1% of the participants.

Twenty-seven percent of those responding have been retired 20 or more years and 48% have been retired between 10 to 20 years. Eighteen percent have been retired between 5 and 10 years. Four percent have been retired between 1 and 5 years. One percent have been retired less than a year and 2% were not yet retired.

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

- 77% 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.
- 20% stated they could not make it financially if their Social Security payment was reduced.
- 62% are on traditional Medicare and 75% of those individuals have a Medigap supplement plan.
- 18% have a Medicare Advantage plan.

### Highest Agreements

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

- 98% agreed the NRLN should advocate legislation that stops corporations from taking pension assets to be use for non-pension expenses.
- 98% agreed the NRLN should advocate legislation that protects retirees' pensions and benefits in corporate mergers, acquisitions and spin-offs.
- 96% agreed the NRLN should advocate bankruptcy reform that place retirees' pensions and benefits on a list of obligations that companies can't shed.
- 95% agreed the NRLN should continue to exist.
- 95% agreed the NRLN should advocate that the Pension Benefits Guaranty Corporation be required to ensure equitable calculations of benefit payments.
- 94% agreed the NRLN should advocate legislation that prevents drug companies from colluding to control

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- pricing or subvert free markets.
- 91% agreed the NRLN has been beneficial to retirees.
- 90% agreed the NRLN should advocate legislation or regulations protecting retirees in “de-risking” situations when a pension plan sponsor converts a pension plan to an annuity.
- 90% agreed the NRLN should advocate legislation to require Medicare to take competitive bids for prescription drugs.
- 89% agreed the NRLN should do more to advocate for legislation that would increase competition to lower retiree’s cost of all health care services and products.
- 88% agreed the NRLN should advocate legislation or regulations to expand disclosures in the Annual Funding Notice for pension plans.
- 88% agreed the NRLN should advocate legislation to legalize the importation of safe and cheaper prescription drugs.
- 88% agreed the NRLN should advocate legislation to accelerate bringing generic drugs to market.
- 86% agreed the NRLN should advocate protection of Social Security by a small increase in the payroll tax rate and increasing the cap on maximum wages taxed.
- 84% agreed that many American retirees age 65 and older who are Medicare eligible are held hostage to higher costs for their Medicare supplement (Medigap) plans or their Medicare Advantage plan because of a pre-existing medical condition. NRLN should advocate legislation to end this discriminatory practice.

### Health Care and Life Insurance

Half of the survey participants have access to health care benefits provided by former employers and 44% receive coverage supplemental to Medicare from former employers. Twenty-seven percent have catastrophic health care coverage from their former employer. Thirty-six percent of the survey participants receive their prescription drug plan from their former employers.

On the issue of life insurance, 45% of survey participants have a life insurance benefit from their former employers, but 29% have had the amount of their company-sponsored life insurance reduced and 15% have had their company-sponsored life insurance eliminated.

### 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. Physician's Fees.
4. Prescription Drug Costs.

### Social Networking Media

With the advancement of social networking media, there were questions about the use of Facebook, Twitter and viewing of

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YouTube-type videos.

- 37% said they use Facebook.
- 8% said they have visited the NRLN's Facebook page and half of those have "Liked" the page.
- 0.4% said they have received Twitter messages from @NRLN3.
- 0.8% said they have received Twitter messages from @NRLNupdate
- 24% said they have viewed NRLN videos on the NRLN website at [www.nrln.org](http://www.nrln.org)
- 7% said they have viewed NRLN videos at [www.YouTube.com](http://www.YouTube.com)

### Improvements Needed

Kadereit said he would like to see grassroots advocates make improvements in four areas. Nearly half of the survey participants (49%) have not read the NRLN's 2014 Legislative Agenda. (It is available to read on the NRLN website home page at [www.nrln.org](http://www.nrln.org) by clicking on the "Legislative Action" tab).

Only 57% 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 with members of Congress from voters back home.

Only 17% of the survey participants visit the NRLN website a few times a month or more. Kadereit pointed out that news articles on retirement, health care and legislative issues are posted daily on [www.nrln.org](http://www.nrln.org) and it is a good way for retirees to be informed on issues that can impact their lives.

With the NRLN's application of social networking media, Kadereit said he would like to see more grassroots advocates visiting the NRLN's Facebook page, viewing the NRLN's videos and following NRLN on [www.twitter.com](http://www.twitter.com). He said that he has begun sending tweets from @NRLNpresBK, in addition to NRLN tweets from @NRLN3 and @NRLNupdate.

### 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 at [www.nrln.org](http://www.nrln.org) to the entire data from the survey except for demographics on retiree association and chapter 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.

## Washington, D.C. Site for Two NRLN Meetings

Members of Congress, their staffs and federal agency officials will be visited by NRLN, retiree association and chapter leaders in Washington, D.C. during the NRLN Board of Directors meeting July 8 and 9 and the Fall Fly-In September 29 – October 1.

NRLN Board members will devote the afternoon of July 8 to NRLN business issues. Discussions will include NRLN organizational structure, individual membership attrition in associations and chapters, recruitment plans and the potential for formation of chapters in retirement villages. On the morning of July 9, there will be meetings on Capitol Hill. (At deadline for this newsletter details for meetings with federal government officials were still being developed.)

The Fall Fly-In will follow the format of past years. The afternoon of September 29 will include presentations on NRLN issues and legislative priorities. Attendees will spend the entire day of September 30 and part of October 1 meeting with their Representatives, Senators and members of their staffs. Also, the NRLN will arrange for meetings with the staffs of Congressional committees who have legislative jurisdiction over retirement issues.

The Fall Fly-In is open to any NRLN grassroots advocate. Advocates who are affiliated with a retiree association or chapter, should notify the president of their organization if they are interested in attending the Fly-In. A Fly-In registration webpage will be posted on [www.nrln.org](http://www.nrln.org) in mid-August.

The Liaison Hotel, within walking distance to Capitol Hill, will be the location for the Board and Fall Fly-In meetings.





## A View From Washington

By Marta Bascom, NRLN Executive Director

### Policy Makers Need to Act on Health Care Inequities

The scandalous state of affairs at Veterans' Affairs hospitals across the nation is finally getting the late-in-coming attention of policy makers in Washington, D.C. Our nation's veterans have not only earned our nation's respect, they deserve the health care they were promised. They've earned it, and it's time they received it.

There are few, if any, who would argue with this premise. Policy makers appear poised to fix the system and implement laws to ensure vets are treated right. Are they ready to do the same for Medicare-eligible retirees?

It may seem like the difference between apples and oranges to compare what is owed to those who put their lives in harm's way on our behalf to those who have reached age 65 without having gone to boot camp. Perhaps it's the "earned" aspect of the comparison that provides retirees the opportunity to use the VA scandal and the subsequent reform as a chance to highlight the health care disparity between retirees in Medicare and taxpayers on Obamacare.

Seniors have paid into Medicare all through their working lives. Yet it appears that while the levels of health care benefits available to Obamacare recipients and, hopefully, veterans, has improved, they are significantly greater than those available to retirees on Medicare.

One particular difference lies between Obamacare benefits and Medicare benefits: Medicare beneficiaries don't receive coverage for catastrophic illnesses. This bears repeating: Retirees who are often considered to be at the highest risk for catastrophic conditions don't have coverage under Medicare.

Retiree advocates launched an enormous campaign in the late 1980s to get catastrophic coverage but encountered insurmountable resistance from policy makers on Capitol Hill. We know; it's expensive. The questions remain, nonetheless. How can a country sustain these inequities on a policy level that so adversely impacts our seniors? Can the nation ignore the collateral costs of not insuring catastrophic illnesses when retirees suffer bankruptcies and an inability to support their local economies? Worse yet, how can the United States not provide coverage to its aging community, leading to often avoidable early deaths due to retirees' inability to afford medical care?

Raising the VA scandal - which is a travesty, to say the least - and Obamacare is not intended as a nosedive into the political side of these debates. What they offer retirees is a chance to voice their concerns to their representatives at town meetings, through letter to the editor in local newspapers, letters to their members of Congress and meetings in their district or state offices. Tell them to look at retirees' health issues while they address health care for veterans. Yes, Veterans' Affairs are run through a separate system than Medicare and passed through different committees on Capitol Hill. Nonetheless, it raises the question of what our citizens should receive in earned benefits - some through their military service, others through their tax investment over their working years.

For retirees, the answer lies in forcing the conversation. Let's keep it going.



## New NRLN Board Members



**Larry Smith** is the new representative of AT&T Ameritech /SBC Retirees on the NRLN Board. He serves AASBCR as Vice President, Legislation and Regulation. He began his 34 year telecommunications career as a Commercial Representative at Illinois Bell. He then progressed through positions in Sales, Coin Operations, Marketing Product Management and Network Operations before moving to Ameritech Services Product Development and Ameritech Corporate New Business Development. He retired from Ameritech Wholesale in 2000. Following retirement Larry accepted a position as Vice President and partner of CyberObject a software development company based in Norcross, Georgia that serves the telecommunications industry. In 1986 Larry was awarded the Illinois Bell Alexander Graham Bell Award. He lives in Somonauk, IL.



**Mike Stohlmeyer** is the new representative of JDRO – A Family of John Deere Retirees on the NRLN Board. He is a member of JDRO's Executive Committee. He holds a degrees in Business Administration and Economics from the University of Wisconsin-Platteville. He went to work for John Deere in Dubuque, IA in 1960. He spent most of his 41 year career with John Deere working in the Labor Relations field. He served as Management Co-Chair of the Dubuque Labor Management Council and Management Co-Chair of the Iowa State Labor Management Committee. He also served as Board Member and officer on the Mid-America Labor Management Committee and as a Board Member on the National Labor Management Committee. He retired from Deere & Company in 2001 as Senior Division Manager, Labor Relations. He lives in East Moline, IL.

### 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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