



NRLN Focus



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The NRLN Clarion Call...The Risk of Privatizing Medicare

By Bill Kadereit, NRLN President



When reviewing the House Budget Committee 2018 budget for “A Brighter American Future”, I became disturbed by House Budget Committee’s desire to privatize Medicare. This resulted in my writing the NRLN whitepaper entitled, ***Medicare Advantage Plans – Privatization’s Trojan Horse: Is “Premium Support” a Better Deal for Our Country?***

The whitepaper begins with tracing the evolution of what is today’s Medicare Advantage (MA) plans and the history of federal subsidies along the way to make the plans an alternative to traditional Medicare. The Centers for Medicare and Medicaid Services (CMS) has announced MA will receive a taxpayer funded federal subsidy of 3.4% or \$7 billion in 2019. The increase from the 2.95% subsidy in 2018 comes with CMS authorization to go beyond medical care, prescription drugs, vision, hearing and dental care to provide purchases of healthy foods, home deliveries of groceries and safety devices installed in home and more.

Traditional Medicare vs. Medicare Advantage Plans

Data from 2017 CMS reports showed that the 67% enrolled in traditional Medicare Part A (hospital costs) and Part B (physicians costs) had an average cost of \$10,051 per enrollee. MA plan participants, 33% of Medicare beneficiaries cost for medical services (A and B) were \$11,053 per enrollee. It is \$1,002 less expensive per enrollee to provide health care coverage for participants in traditional Medicare than in MA plans.

There is no consensus among studies that has proven that MA plans are more cost effective than traditional Medicare. It is provable that federal taxpayer dollars are subsidizing insurers’ MA plan profits and further that federal income tax and/or payroll tax revenue is being misused to pay MA plan insurance companies with no clear reporting on how much they pay out to enrollees’ vs what they take in from the government for each specific benefit.

Our highest priority is to protect the 18 million MA plan enrollees from having the rug pulled out from under them in a privatized market. If the House Budget Committee and supporters of privatization win, MA plans would be set adrift without subsidy guarantees in new regional markets by 2022-2024.

Shifting Health Care Cost to Seniors

According to the 2018 Budget Committee version of Premium Support, the year 2022 would be the end of MA plans (1st year of full privatization and pricing of multiple of private plan choices within new regions) and the new grandfather rule would wipe out the 10-year protection window (from age 55 to age 65)! While there are no data to support a conclusion that those who lose

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grandfather protection as a result of this change will be harmed, it stands to reason that retirees who do not qualify for protection under the new grandfather rule will be at risk in a frenzied regional market where so far no rules have been defined. With grandfathering, privatization savings would be less than 1% of projected Medicare costs

The goal of Congress has not been to lower the true cost of health care but instead the federal tax burden and attendant health care costs that the government now pays would be shifted **onto the backs of seniors**.

The premium support plan (privatization), according to CBO's October 5, 2017 analysis will decrease federal government payments to Medicare by 8% but would increase the cost of Medicare to us by 15%. This is a scheme to cost shift to retirees and will not fix the real problem of high cost drugs and other healthcare products and services.

NRLN Request to Congress and the Executive Branch

- Direct GAO, CBO and the HHS Inspector General to investigate and report on MA and Original Medicare Part A and Part B independent financials and assess and publicly disclose the cost effectiveness of MA, with and without taxpayer subsidies.
- Retract the planned 2019 MA 3.4% benefit subsidies and grandfather and protect the 18 million seniors (33%) who have purchased MA plans from future reductions in benefits and set payment controls that insure equitable treatment.
- Reduce the \$141 billion annual wrong and improper payments generated by all federal agencies (particularly the \$90 billion attributable to Medicare and Medicaid), sequester savings and use them to eliminate the 75-year deficits of Medicare Part A and Part B, then Part D. Consider all options including payroll tax increases.

NRLN members will hear more about the desire of many in Congress to privatize Medicare as we develop a campaign to prevent a premium support plan (privatization) and preserve the program that is the cornerstone for serving the health care needs of America's seniors.

Fall Fly-In to Washington, DC Highlighted by New NRLN Proposals and Lobbying on Capitol Hill

With the threat of hurricane Florence bringing rain to the east coast, 20 leaders of the NRLN, retiree associations and chapters felt fortunate to have avoided rain while lobbying Congress in Washington, DC during the September 10-12, 2018 Fly-In.

Activities began at 10:00 a.m. Monday, September 10, with nearly a three-hour meeting of the NRLN Board of Directors at the Holiday Inn Capitol Hotel. Seven of the 10 Board members participated in the meeting including NRLN President Bill Kadereit; Cindy Hadsell, NWB-USWest-Qwest Retirees Association Director; Jay Kuhnle, President, and Dana Oliver, Director, both from the National Chrysler Retirement Organization; Bob Martina, Director, Lucent Retirees Organization; Judy Stenberg, CenturyLink retiree and NRLN Vice President – Pacific/Mountain West Region, and Bob Tompkins, Past President/Director, Detroit Edison Alliance of Retirees.

The Board meeting was open to all Fly-In attendees and seven who had arrived on Sunday or Monday morning attended as spectators.



Jay Kuhnle (left), President, National Chrysler Retirement Organization, and Jane Banfield (right) AT&T retiree and TelCo Retirees Association Director, advocate a remedy for pension recoupment with Chairman Tim Walberg's (MI-07) HELP Subcommittee staff members.



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Kelsey Wolfgram, staff member for Rep. Clay Higgins (LA-03), listens to presentation by Bob Martina (center), Lucent Retirees Organization Director and NRLN Vice President - Grassroots, and NRLN President Bill Kadereit.

NRLN Proposal for Universal Retirement Accounts

During a previous Board conference call, the Board members had authorized a whitepaper to be written to address the low savings rate of Americans. Michael Calabrese, NRLN Legislative Adviser, made a presentation on the whitepaper he had written entitled, “**Universal Retirement Accounts (URAs): Enhancing Income Security by Supplementing Social Security**”

The whitepaper begins by pointing out the majority of American adults do not participate in any retirement saving plan—whether pension or 401(k) or Individual Retirement Account (IRA). Employer-sponsored plans cover fewer than half of all private sector workers.

Coverage and participation rates are strikingly lower among workers who are low-income, young, work part-time, or work at small firms.

The result of excluding half the nation’s people from an automatic, managed and subsidized private saving plan is that too many individuals are heading toward retirement age with little more than Social Security’s safety net. Nearly two-thirds of current beneficiaries rely on Social Security for a majority of their income. More troubling is that more than one-third (36%) rely on the program for 90% or more of their income – a dependency ratio that is far higher for widows (over 45%). The average benefit is \$1,400 per month in 2018, not very much more than the federal poverty level.



Ray Pasternak (center), President, NRLN Villages Chapter, along with NRLN President Bill Kadereit, presents NRLN lobbying issues, to Luke Newgaard, Legislative Assistant, for Rep. Daniel Webster (FL-11).



Clockwise from left, Judy Stenberg, NRLN Vice President - Pacific/Mountain West Region; Alyson Parker, NRLN Executive Director; Jay Kuhnle, President, National Chrysler Retirement Organization; NRLN President Bill Kadereit, and Kendra Kosko Isaacson, Senior Pension Counsel, for Senator Patty Murray (WA).

Leverage Social Security System

The whitepaper advocates the most promising and potentially bipartisan path to facilitating sufficient retirement saving by every American worker is to leverage the existing Social Security system to add an individual, voluntary and supplemental savings account for every American. Today’s private pension system works well for workers who have consistent access to a plan and choose to save. But for the majority who do not – or who are between jobs that do – the NRLN proposes creating a **Universal Retirement Account** that will accumulate saving to supplement the traditional monthly Social Security benefit.

A Universal Retirement Account (URA) would function like a universal 401(k) plan that gives every working American access to automatic payroll deduction and a professionally administered retirement savings plan.

NRLN members will hear more about the URA when the NRLN presents the proposal to members of Congress and the Administration.

Medicare At Risk of Privatization

NRLN President Bill Kadereit’s presentation to the Board on his whitepaper entitled, “**Medicare Advantage Plans – Privatization’s Trojan Horse: Is Premium Support a Better Deal for Our Country?**” is covered in his Clarion Call column beginning on page 1.

Congress Ducks Funding Social Security and Medicare

NRLN President Bill Kadereit presented the updated version of the NRLN Grand Bargain proposal to save Social Security (SS) and Medicare for the next 75 years that the Board had previously

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approved in draft form.



NRLN President Bill Kadereit (left) makes a presentation to staff members for Senate Minority Leader Chuck Schumer.

It has been 35 years since payroll tax rates were raised to pay for SS and Medicare. Senators and Representatives of both parties have “kicked the can down the road” by failing to take the action necessary to prevent a looming economic and health coverage catastrophe.

In 2017 employees and companies paid 50% each of the combined 12.4% payroll tax on \$7.0 trillion wages & salaries: SS tax paid for 100% of SS, 99.6% of Medicare Hospitalization Insurance (HI) - Part A, 29% of Part B, and 27% of Part D for premiums only. Medicare C plan benefits are paid from Part A and B funds. The federal income taxes paid \$291 billion for Part A-D benefits, plus a 68% share or \$375 billion to states for Medicaid. States paid 32%, \$230 of the

grand total of \$605 billion for Medicaid.

Social Security and Medicare Crisis

SS provided benefits for 61 million participants in 2017. Some believe that Congress has stolen SS money. Congress did “borrow” surplus cash until 2010 (when there was no longer a surplus) and dug a big hole by spending it on other federal programs. Debt owed to SS has mounted and was \$2.892 trillion at end of 2017. Treasury pays interest and is obligated to pay back the debt by 2034.

If funding is not expanded, the trust fund will be exhausted, except for payroll tax income, by 2034 and SS benefits must be cut by 17 to 21%, according to the trustees’ report.

Medicare covered 58.4 million Americans in 2017. Health care coverage is provided by: Medicare A, hospital insurance (HI); Medicare B, Supplemental Medical Insurance (SMI), physicians services; and Medicare C, Medicare Advantage (MA) subsidized plans that include A, B, and D benefits; and Medicare D, prescription drug.

The Medicare trustees reported in June that the Medicare A trust will be depleted by 2026 and the program will only be able to pay about 91% of costs.



L-R, Shannon Hossinger, Legislative Assistant for Senator Ben Sasse (NE), Cindy Hadsell, NWB-USWest-Qwest Director, and Vern Larson, President, NRLN Avaya Retirees Chapter



L-R Jennifer and Ken Gornall, Katherine Duveneck, staff member from Rep. David Schweikert (AZ-06), and Cheryl Butcher

NRLN’s Proposal to Close Funding Gaps

The NRLN’s proposal is to close the SS and Medicare Health Insurance (HI) 75-year combined funding deficit gaps of 3.66%, and help fund federal Medicare B and D, and possibly Medicaid and Children’s Health Insurance Program (CHIP) obligations by these actions:

- Apply 12.4% rate on earnings over \$250,000 in 2019 and tax all earnings once current tax maximum (\$127,400) reaches \$250,000. Do not provide benefit credit for earnings taxed over \$250,000. This is **2.19%**.
- Safely invest 40% of Old Age, Survivors and Disability Insurance (OASDI) reserves in equities (phased in 2018-2032) expecting 5.2% real-rate yield. This is **.39%**.
- Reduce the 2018 \$141 billion wrong and improper federal payments, cut pork barreling; stop appropriating funds to unauthorized programs; stop paying billions in subsidies to Medicare Advantage Plan health care insurers. This would amount to: **1.08%**. (But protect Medicare C enrollees from higher open market pricing or loss of benefits if privatization takes effect. Apply

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the 1st \$70 billion of savings to close Medicare HI and SS deficits.)



L-R, Jennifer Gornall, Cheryl Butcher, Kelsey Mishkin, staff member for Rep. Raul Grijalva (AZ-03), and Ken Gornall.

2.19% + .39% + 1.08% = 3.66% (the deficit gaps)

Savings would be sequestered to protect them from being spent on other federal programs. Funds would be applied first to close the SS and Medicare HI combined deficit gaps and then allocated to reduce the Medicare B and then the Medicare D, and then Medicaid and CHIP federal obligations.

Facebook.com/NRLN1 Posting Results

Ed Beltram, NRLN Vice President – Communications, reported to the Board an overview of how the NRLN is utilizing its

www.facebook.com/NRLN1 page to extend the reach of its communications. As an example, he cited the six-article series on the NRLN Grand Bargain proposal that was “Boosted”. (A “Boost” represents a payment to Facebook to send an “Ad” [an article] to an expanded group of Facebook users.) The target for the NRLN’s “Boosts” were for Facebook users age 50 and older in all states.

In total, the six articles on the NRLN Grand Bargain reached more than a quarter million Facebook users. For the period August 31 – September 6 the Facebook.com/NRLN1 “Page Likes” were up 200% and the “People Reached” was up 1,012%.

Briefing Session for All Fly-In Attendees

At 1:00 p.m. on Monday, September 10, all Fly-In attendees participated in the briefing session to prepare them for their Capitol Hill appointments on Tuesday and Wednesday, September 11 and 12. First, they heard the three whitepaper presentations that were given at the Board meeting. Since two of the whitepapers had just been approved by the Board that morning, only the NRLN Grand Bargain proposal to save Social Security and Medicare was among the issues to be lobbied during Capitol Hill appointments.

In the advocacy folders for each meeting on Capitol Hill there was a letter from NRLN President Bill Kadereit to members of Congress explaining that “leaders of the NRLN, Retiree Associations and Chapters are in Washington, DC this week to advocate for our top legislative issues. I hope you and your staff will take time to listen and act on our concerns.” The letter then provides a brief summary of each issue.

Following the Talking Points and Executive Summary on the NRLN Grand Bargain proposal were the Talking Points on “Protect Retirees from Pension Plan Benefit Recoupment.” It explained there is an obvious need for a more equitable approach to recouping benefit overpayments when pension plan participants are obligated to pay for plan sponsor or third-party contractor pension calculation errors and have their monthly pension check reduced.

The NRLN proposes to indemnify individual plan participants. While plan sponsors or Third-Party Administrators could purchase an Errors and Omissions Insurance a more equitable remedy would be to instruct actuaries to account for recoupment as a plan funding risk that would require very small adjustments to plan actuarial calculations.

The request was made to introduce a bill to protect retirees from pension plan overpayment recoupment or at least send a letter to the Treasury Secretary as Rep. Richard Neal has done. His letter requested “developing common sense rules that would help employers address the corrections of inadvertent errors in retirement plans while at the same time protecting



L-R, Ken and Jennifer Gornall, Cheryl Butcher and Michael Brownlie, Deputy Chief of Staff for Rep. Kyrsten Sinema (AZ-09).



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participants." The letter is posted on www.nrln.org. Click on the "Letters to Washington" tab.

Bob Martina, NRLN Vice President – Grassroots briefed the attendees on these lobbying issues:

- Protecting Retirees in Pension Plan Mergers
- Protecting Retirees in Corporate Mergers, Acquisition and Spin-Offs
- Protecting Retirees in Corporate Bankruptcy

The lobbying folders included Talking Points, Executive Summary from the whitepapers and legislative language. The Talking Points and Executive Summary on these issues can be accessed at www.nrln.org. Click on the "Legislative Agenda" tab and select "Talking Points and Executive Summaries".

Ed Beltram discussed with attendees a copy of a September 7, 2018 letter in the folders from NRLN President Bill Kadereit to Alex Azar, Health and Human Services Secretary. The letter addresses a number of issues on lowering prescription drug prices. In part, the closing paragraph in the letter states, "Secretary Azar, while the NRLN is thus far not enthused about the [Administration] blueprint's potential for reducing the price of prescription drugs, you and President Trump are in important positions to bring relief to Americans who need affordable medicines. But you have to make the tough calls..."

The letter can be read at www.nrln.org. Click on the "Letters to Washington" tab.

At the end of the NRLN hosted dinner Monday evening, Carlo Makarechi, Community Mobilization Director for Patients for Affordable Drugs Now, spoke about the work of his organization with Congress and in states to reduce the cost of prescription drugs. The NRLN is exploring with the organization the potential of working together on issues of common interest to reduce the price of prescription drugs.

On Tuesday and Wednesday the Fly-In attendees from five Retiree Associations, three Chapters and one Region participated in more than 50 appointments on Capitol Hill. The groups represented were, NRLN Arizona Chapter, NRLN Avaya Retirees Chapter, Detroit Edison Alliance of Retirees, National Chrysler Retirement Organization, Lucent Retirees Organization, NWB-USWest-Qwest, Pacific / Mountain West Region, TelCo Retirees Association and NRLN Villages Chapter.



A View From Washington

NRLN's Universal Retirement Accounts Proposal Is Timely

by Alyson Parker, NRLN Executive Director

If you read the article in this issue about activities at the NRLN's Fly-In to Washington, DC, you are aware that during the NRLN Board of Directors meeting on September 10, a whitepaper was approved on

Universal Retirement Accounts (URAs): Enhancing Income Security by Supplementing Social Security.

I want to share with you my Capitol Hill perspective on how appropriate and timely it so for the NRLN to have this whitepaper to share with Representatives, Senators, their staffs and the staff members on key committees.

When NRLN President Bill Kadereit and I met during the Fly-In with a senior counsel and other staff members who serve a very important committee and briefly described our URA proposal, we

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were told that providing a way for Americans to save is a hot topic on Capitol Hill and welcomed the NRLN's proposal to join with others being considered.

On September 28, the House passed its "Tax Reform 2.0" legislation as a follow up to the "Tax Cuts and Jobs Act" enacted into law last December. In "Tax Reform 2.0" is the *Family Savings Act of 2018*. Among the provisions is the creation of a new type of savings account, known as a Universal Savings Account, which would have a similar tax structure to a Roth IRA but would allow \$2,500 to be set aside on a tax-advantaged basis for any purpose, not just retirement.

Although "Tax Reform 2.0" has passed the house, the Senate isn't scheduled to debate this legislation, except possibly for the Family Savings Act.

When a search is done on the word "Savings" in www.congress.gov a number of bills appear (after all this is an election year). Among them are the

- *American Savings Act,*
- *American Savings Account Act,*
- *SAVINGS Act,*
- *Retirement Enhancement and Savings Act,*
- *Small Employer Retirement Savings Auto-Enrollment Credit Act,*
- *Save Act,* and the
- *Family Savings Act* that is in "Tax Reform 2.0"

The NRLN believes the most promising and potentially bipartisan path in its proposal is facilitating sufficient retirement saving by every American worker leveraging the existing Social Security system serving as a clearinghouse function to add an individual, voluntary and supplemental savings account.

A recent report by the National Institute on Retirement Security (NIRS) cautioned that retirement is in peril for most working-class Americans. Author of the report, Diane Oakley, NIRS Executive Director, who was a guest speaker in March at the NRLN Leadership Conference, was quoted in a September 18 Forbes article, "The American dream of a modest retirement after a lifetime of work now is a middle-class nightmare."

The report contends nearly four out of five working Americans are falling short of conservative retirement savings targets. Roughly the same number have less than one year's income saved in retirement accounts.

That "less than one year" is actually nothing for close to three out of five workers.

More than 100 million working age individuals do not own any retirement account assets in an employer-sponsored 401(k)-type plan, individual account or pension.

The NRLN will be working to convince policy makers our proposed **Universal Retirement Accounts** linked to Social Security can ensure that every worker has at all times a seamless, portable way to save, invest, and enhance their monthly benefit at retirement. This can be done at modest cost to the U.S. Treasury and in a manner that takes the burden of pension benefit administration off of small- and medium-sized firms.

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Dates Set for two 2019 NRLN Meetings in Washington, DC



Dates have been set for grassroots advocates for the NRLN, Retiree Associations and Chapters to meet in Washington, DC with members of Congress and their staffs during the **2019 Annual Leadership Conference and fall Fly-In**.

The Annual Leadership Conference will be **Monday, February 25 through Wednesday, February 27, 2019**.

The fall Fly-In will be **Monday, September 23 through Wednesday, September 25, 2019**.

The Holiday Inn Capitol Hotel, 550 C Street, SW Washington, DC, will again serve as the base for both meetings. The room rate will be \$199 in February and \$279 in September. Tax and fees are in addition to the rates.

The NRLN Board will meet at 10:00 a.m. on the Monday of both meetings. Monday afternoons, beginning at 1:00 p.m., will include presentations on NRLN issues and legislative priorities. Attendees will spend the entire day of Tuesday and part of Wednesday meeting with their Representatives, Senators and members of their staffs.

Both the Annual Leadership Conference and fall Fly-In are 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.

Presidents of Retiree Associations and Chapters affiliated with the NRLN are encouraged to solicit as many of their Grassroots State and Congressional District leaders as possible to attend the meetings. The sooner the NRLN is notified of intentions to attend the meetings the better it will be for the NRLN to make plans for the conference. Email intentions to attend and/or questions to contact@nrln.org.

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