

IRA Legislative Update

December 19, 2009

Contributions from AFT.

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THE AFT ON HEALTHCARE REFORM:

- Affordable, accessible, high-quality care for Americans
- No taxation of health benefits
- Public insurance plan option
- All employers pay their fair share
- Stronger Medicare
- Adequate staffing to provide high-quality care

SENATE BILL HINGES ON HANDFUL OF SWING VOTES

The fate of healthcare reform legislation (H.R. 3590) in the Senate appears to depend on the ability of Senate Democratic leaders to persuade conservative Democrat Ben Nelson (Neb.) or moderate Republican Olympia Snow (Me.) to support the final bill. As of Dec. 18, neither had committed to the current version of the legislation. Senate majority leader Harry Reid (D-Nev.) announced a tentative deal on alternatives to the public option Dec. 8, which would have included a provision allowing some 4.3 million uninsured Americans in the 55 to 64 age group to buy into Medicare. However, Sen. Joseph Lieberman (I-Conn.) announced Dec. 13 that he would vote against the Senate healthcare legislation if it included key components of the tentative agreement worked out by Senate Democratic liberals and conservatives. The lawmaker from Connecticut, home to some of the nation's largest insurance companies, told Senate majority leader Harry Reid, to scrap the idea of expanding Medicare to 55- to 64-year olds and abandon any new government insurance plan such as the public option or lose his vote. He also indicated that he would likely oppose a bill containing the CLASS Act, which would provide partial coverage for long-term care to the under-65 population. Nelson and Snow also oppose a public option. The House bill (H.R. 3962), approved Nov. 7, contains a public option to compete with private health insurers. Senate Republicans, other than Snow, have consistently opposed any comprehensive healthcare reform bills. Senate leadership is working for a vote by Christmas.

TAX WOULD FORCE EMPLOYERS TO REDUCE HEALTH INSURANCE COVERAGE

Two-thirds of employers would raise deductibles, change insurers or scale back coverage to avoid the so-called Cadillac tax on high-cost benefits proposed in the Senate Democrats' health care bill, according to a survey released Dec. 8 by the consulting firm Mercer. Among things employers might change or drop: flexible spending accounts, which are used to cover unreimbursed medical expenses and dental or vision policies. About a fifth of employers will likely face the excise tax in 2013, but with healthcare inflation double or triple general inflation, that figure would quickly rise. Whether an employer's benefits are subject to the tax depends on the combined cost of all medical benefits, including health, dental, vision and other benefits, such as worker and employer contributions to flexible spending or health savings accounts. If the combined total of all benefits exceeds annual thresholds of \$8,500 for individuals or \$23,000 for families, the difference would be subject to a 40 percent excise tax.

The Mercer survey of 465 employers found that of the 63 percent who would make changes to avoid the tax:

- 75 percent would raise deductibles or copayments.
- 40 percent would add a lower cost health plan as an alternative.
- 19 percent would terminate employer contributions to health or flexible savings accounts.

The tax—which is not included in the House health bill—is strongly opposed by labor unions, including the AFT, because it unfairly penalizes workers in groups with higher proportions of older or sicker workers and those that have forgone wage increases to keep better health benefits. Labor and other activists rallied outside the Senate on Dec. 10, pressing senators to drop a tax on higher-end insurance plans. The House approach would raise income taxes on individuals making more than \$500,000 a year and couples making more than \$1 million without hurting retirees and older workers as the Senate excise tax would. The AFL-CIO is airing TV ads in key states opposing a tax on middle-class health benefits and is running print ads as well. You can download an [AFL-CIO fact sheet](#)

<http://www.aflcio.org/issues/healthcare/upload/billcomparison_factsheet.pdf> on the issue here.

Most analysts—including the Congressional Budget Office in a recent report—say they expect employers will try to reduce their total medical benefit costs to avoid the tax by shifting more costs to workers, pushing harder to get workers to sign up for wellness programs or making other changes to their benefit offerings. The CBO forecasts that 19 percent of employer-sponsored plans would be subject to the tax in 2016.

HEALTH REFORM UPDATE

CBO Underestimates Savings From Health Bills: A joint report by the Center for American Progress Action Fund and the Commonwealth Fund finds that both the House and Senate health bills save more than the Congressional Budget Office estimates. The new report says that the House bill would reduce the deficit by nearly \$459 billion over 10 years, approximately \$300 billion more than CBO projects. The report also cited larger deficit-reduction figures for the Senate bill, \$409 billion over 10 years, compared with the CBO's projection of \$130 billion. The authors of the report explain that the CBO attempted to estimate the federal budget impact of each of these bills rather than analyzing the overall impact on health-system spending.

Medicare Advantage Plans Waste Billions: From 2005 to 2008, Medicare Advantage insurers reported \$27 billion in expenses unrelated to care, according to the report, released by the House Energy and Commerce Committee Dec. 9. Part of this non-health spending included millions in executive compensation and company retreats in Hawaii, Cancun, Mexico and other exotic locales.

Aetna Understated Profits, Overhead: Giant Connecticut-based insurer Aetna overstated by \$4.9 billion the amount of money it spent on patient care for small businesses, according to recent report by the Senate Committee on Commerce, Science and Transportation. As a result, the insurer's medical-loss ratio, the portion of premiums spent on healthcare, for small businesses was 79 percent, not the 82 percent the company initially reported. Aetna corrected its filings in an amended report on Dec. 2.

Drug Prices Rose 9.3 percent in 2009: A recent report by AARP indicates that the wholesale prices of brand-name prescription drugs increased by an average of 9.3 percent during the past year, offsetting the value of rebates the industry promised as part of a healthcare overhaul to help seniors pay for drugs. The general inflation rate for 2009 is expected to be about 2.8 percent.

Drug Companies Spent More Than \$20 Billion on Promotion in 2008: Pharmaceutical manufacturers spent at least \$20.5 billion on promotional activities aimed at consumers and doctors in 2008, according to a report released Dec. 2 by the Congressional Budget Office. Of the total amount spent on promotion, the CBO found that pharmaceutical companies spent \$12 billion on a practice called detailing, which involves sales representatives meeting with doctors, nurse practitioners, and physicians' assistants. Companies spent another \$3.4 billion sponsoring professional meetings and events and about \$400 million placing advertisements in professional journals. Manufacturers spent the rest of their promotional budgets, \$4.7 billion in 2008, on direct-to-consumer (DTC) advertising. CBO estimated that the industry's research and development spending came to

\$38 billion that year. The Food and Drug Administration sent about three dozen warning letters to drug companies complaining about their advertising practices so far this year, a more than 50 percent increase compared with last year.

One-Third of U.S. Adults a Caregiver: A new study says almost one out of three (66 million) adults in the U.S. currently serves as a caregiver. On average, they spend about 19 hours a week providing care, doing everything from bathing and dressing an elderly parent or loved one to balancing a checkbook or doing household chores. The survey was sponsored by AARP and the National Alliance for Caregiving, with funding from the MetLife Foundation. Many results are similar to those from earlier versions in 2004 and 1999. Two-thirds of caregivers are women. The average age of caregivers is about 49. Almost all—86 percent—care for a relative. Most often, 36 percent of the time, it's for a parent. On average, caregivers have been providing care for 4.6 years, and three in 10 report doing so for five years or more. Nearly two of three (64 percent) said that they'd been absent from work for caregiving-related reasons.

WEINGARTEN JOINS WHITE HOUSE JOBS SUMMIT

AFT president Randi Weingarten joined other labor and business leaders and economic experts at a Dec. 3 White House Jobs Summit convened by President Obama to share ideas on how to spur job growth. "By convening this important jobs summit, President Obama showed he clearly understands the vital role that job creation and preservation play in calming the troubled economic waters," Weingarten said. She applauded the administration's American Recovery and Reinvestment Act funding earlier this year, which kept hundreds of thousands of teachers, professors and other school staff educating children. The AFT president called for additional emergency aid to the 46 states facing unprecedented revenue shortfalls that will directly affect education systems as well as additional efforts to invest in innovations such as community schools and workforce development in partnership with community colleges. "Preserving teaching jobs preserves opportunities for our nation's youth," noted Weingarten. "This is a time to reinvest in our children, not disinvest. We saw earlier this year that the Recovery Act's support for our kids and their schools worked. We must not back away from that commitment now."

QUOTE OF NOTE: TAXING HEALTH BENEFITS

"Imposing an excise tax on health insurance plans would be a disaster for millions of middle-class Americans. Some of my colleagues would have you believe that the tax in the Senate bill only falls on 'Cadillac' health care plans, but the truth is that the plans this bill will tax are more like Chevrolets."

Sen. Bernard Sanders (I-Vt.)
Dec. 10, 2009

WEB SITE OF THE WEEK:

<https://unionshop.aflcio.org/index.cfm> <<https://unionshop.aflcio.org/index.cfm>>

Looking for last-minute gift ideas for your grandchildren this holiday season? The AFL-CIO's Union Shop Online has lots of great children's items. You can help teach a child about the importance of the labor movement with a Rosie the Riveter jigsaw puzzle or the Community of Workers Coloring Book displaying the diverse range of work and workers. Or check out the great selection of books for children of all ages. You can even buy an e-gift certificate. Best of all, buying at The Union Shop Online is a way to support America's workers and share your values with family and friends.

Happy Holidays and Best Wishes for 2010!