

Congress of the United States
House of Representatives
Washington, DC 20515

June 26, 2002

**A Vote *For* the Billirakis-Johnson Medicare Privatization Bill
is a Vote *Against* Employer-Sponsored Retiree Coverage**

House Republican Bill is a Tax on Seniors With Retiree Coverage

Dear Colleague:

We wish to draw your attention to a provision in the House Republican prescription drug bill that has the potential to do great damage to existing employer-sponsored retiree coverage. In addition to privatizing Medicare, their bill includes what amounts to a "tax" on employers who provide retiree coverage and the seniors who currently benefit from it. The end result will be the eradication of retiree coverage that provides financial security and peace of mind to millions of seniors.

In order to lower the cost of their bill, House Republicans only allow out-of-pocket costs paid directly by the beneficiary to count toward the catastrophic cap. Any assistance with out-of-pocket drug costs paid by someone other than the senior will not be counted toward the catastrophic cap.

So, a senior who has a retiree plan would have to pay much, much more than \$3,800 on prescription drugs before they got catastrophic protection. Any assistance will only prevent a senior from getting out of the coverage "gap" and reaching the catastrophic protection in the Republican bill.

The practical effect this will have is that employers will stop offering retiree coverage, because having such coverage would actually penalize -- not help -- seniors. The House Republican bill is essentially a tax on people with retiree coverage and a tax on the employers who provide it. Seniors must contribute to their coverage during their working years -- and then must pay again once they retire for the exact same thing their contributions were supposed to cover.

In fact, the Congressional Budget Office estimates that a third of employers who are offering retiree coverage today will drop this coverage under the Republican drug bill. They have no incentive to continue offering coverage because both they and their former employees are penalized for it. Employer-sponsored retiree coverage is already declining. Between 1999 and 2001, the percent of firms offering retiree benefits declined from 41% to 34% -- a 17% decline in just three years. Congress should not enact a prescription drug bill that further discourages employers from providing retiree benefits!

This is only one of the many flaws in the House Republican privatization bill, but it is a serious one. We urge our colleagues not to support this legislation.

Sincerely,



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RANKING MEMBER
COMMITTEE ON ENERGY AND COMMERCE



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RANKING MEMBER
COMMITTEE ON WAYS AND MEANS