

# *Employers' Coalition on Medicare*

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July 22, 2003

The Honorable Dennis Hastert  
Speaker  
United States House of Representatives  
Washington, DC 20515

Dear Mr. Speaker:

The Employers' Coalition on Medicare (ECOM) represents more than 60 of the nation's leading employers and trade associations in support of comprehensive Medicare reform and prescription drug coverage for all Medicare beneficiaries (membership list attached). Nearly one-third of all Medicare beneficiaries receive coverage for prescription drugs today through employer-sponsored retiree health plans. However, the level and availability of retiree health coverage has been declining steadily over many years, especially for future retirees, largely due to unsustainably high health care costs.

We believe this legislation will do much to help stabilize the availability of health coverage for current retirees. For employers that already provide retirees additional benefits beyond those covered by Medicare, this legislation will help make these valuable benefits more affordable for employers to continue. Employers can also use the flexibility this legislation provides to structure plans that complement Medicare's new standard prescription drug benefit and provide enhanced benefits for their retirees. We are convinced the coverage, flexibility and new choices available under this legislation will do much more to help, rather than threaten, employer-sponsored retiree health care coverage for those who currently receive it.

We join with all Americans who support your efforts to improve the Medicare program and to provide coverage for outpatient prescription drugs that all Medicare beneficiaries deserve. We will work with you on this historic legislation to help achieve a final agreement that strengthens Medicare for current and future generations. We must not fail in our efforts to achieve these essential objectives.

## Flexibility and Options

Our coalition believes strongly that the best way to encourage employers to sponsor retiree health coverage is legislation that provides a range of affordable options, not mandates. Retiree health coverage is a voluntary benefit that is sometimes offered solely to early retirees as a bridge benefit until these individuals are eligible for Medicare coverage. When offered to those over age 65, retiree health plans are designed to be supplemental to Medicare benefits. We believe it is particularly important for the final agreement to include the best provisions from both the House and Senate bills which ensure that employers have the flexibility needed to structure their retiree health care plans in a variety of different ways to help meet the health care needs of their retirees, including the option of supplementing any new Medicare prescription drug benefit, just as they do today for the other benefits Medicare provides.

## Payments for Prescription Drug Coverage Available under Employer-Sponsored Plans

For a retiree whose employer-sponsored retiree health plan provides at least the same overall value as the Medicare standard drug benefit, both bills appropriately include payments to support the

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coverage these plans provide to Medicare beneficiaries. Payments under the House bill would be based on a fixed percentage of the eligible drug claims incurred by Medicare-eligible retirees who remain enrolled in a retiree health plan. Under the Senate approach, payments to the retiree health plan would be based on a portion of the value of the standard Medicare drug benefit, subject to various adjustments.

While we will continue to work with you on the details of both payment approaches and how they would specifically affect employer-sponsored retiree health plans, our coalition supports the flexibility of including both payment methodologies and recommends that both be included in the conference agreement.

The Senate bill, which includes an adjusted payment of 70 percent of the national average value of the Medicare drug benefit, has the added advantage of providing a more appropriate payment level for Medicare beneficiaries who obtain the drug coverage to which they are entitled through an employer-sponsored retiree health plan. Any methodology included in the final agreement should also achieve a comparable fair and adequate payment amount for these important benefits.

#### Quality Improvement Reforms

Medicare should provide beneficiaries with much greater access to user-friendly comparative health care information from hospitals, physicians and other health care professionals and facilities. For example, all beneficiaries should be able to make better informed decisions about where to obtain their care based on readily available information which should be routinely provided to the Centers for Medicare and Medicaid Services (CMS) related to safety, effectiveness, efficiency and patient experience. In addition, beneficiaries should have reliable information on various types of therapies and medication choices so they may make better decisions about their health treatment options.

We are particularly encouraged by provisions in the Senate bill to authorize various multi-year demonstration programs and obtain a report from the Institute of Medicine to encourage significant quality improvements in patient care and alternative payment systems that reward high quality performance. We believe this direction holds great promise for meaningful, long term reform of Medicare and the entire health care system and we will work with you in making these initial steps as constructive and effective as possible to help fulfill this promise. Employers have long been the drivers of improved quality, innovation and efficiency in our health care system and we strongly support your efforts to address health quality concerns as part of this legislation.

#### Tax Incentives for Health Expenses and Coverage

Important and far-reaching provisions were included in the House bill to encourage greater employer and employee use of tax-preferred savings accounts for health care expenses. We agree that more needs to be done to help encourage employees and retirees to plan responsibly for their health care needs and assume greater ownership for their health care decisions. In the context of Medicare legislation, we would urge the conferees to start down this path by including provisions in the final agreement that would give employers and employees new options for meeting retiree health care expenses on a tax-preferred basis.

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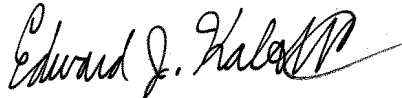
We also believe the final agreement should include the flexible spending arrangements (FSA) and reporting requirement changes from the House bill. These provisions would allow individuals to carry forward up to \$500 of unused funds each year from FSAs as well as rollover the same amount into tax-preferred retirement savings vehicles. In addition, the House provisions would ease unnecessarily burdensome reporting requirements to encourage greater use of FSAs in the workplace and make them more compatible with debit cards, credit cards or other instruments that individuals could use for paying eligible medical expenses.

#### Conclusion

We recognize that many difficult and complex decisions must be made to achieve a final agreement on this vitally important legislation. As these decisions are made, we urge you to oppose any "maintenance of effort" provision that would mandate the continuation of current coverage levels by employers and we believe there should be no reductions in the payment amounts available under either bill for drug coverage provided under retiree health plans. We also welcome the opportunity to work with you on any appropriate tax policy or other measures that the conferees may consider to encourage employers to voluntarily retain retiree health coverage as a way to help ensure that these same costs and obligations are not incurred by the government alone.

We pledge to continue playing a constructive role to help you find the common ground needed that can assure the success of this much-needed legislation. We hope you will not hesitate to call on the vast experience and expertise employers can offer in the course of these deliberations.

Sincerely,



Edward J. Kaleta III  
Chairman  
Employers' Coalition on Medicare

Attachment (1)

## Employers' Coalition on Medicare Membership List

|                                      |                                |
|--------------------------------------|--------------------------------|
| The Aluminum Association             | IBM                            |
| 3M Company                           | Jostens                        |
| American Benefits Council            | Kellogg Company                |
| American Chemistry Council           | LPA, the HR Policy Association |
| Bank of America                      | Lucent Technologies, Inc.      |
| The Business Roundtable              | Monsanto                       |
| Cargill, Incorporated                | Motor & Equipment              |
| Case New Holland Inc.                | Manufacturers Association      |
| Caterpillar Inc.                     | Motorola                       |
| Coors Brewing Company                | National Association of        |
| Corporate Health Care Coalition      | Manufacturers                  |
| (CHCC)                               | National Mining Association    |
| Cummins Inc.                         | National Retail Federation     |
| DaimlerChrysler                      | National Rural Electric        |
| Deere & Company                      | Cooperative Association        |
| Delphi Corporation                   | Peabody Energy Co.             |
| The Dow Chemical Company             | Pitney Bowes                   |
| Eastman Kodak Company                | PPG Industries, Inc.           |
| EDS                                  | Printing Industries of America |
| Employer Health Care Alliance        | PSEG                           |
| Cooperative                          | RAG American Coal Holdings,    |
| ERISA Industry Committee             | Inc.                           |
| (ERIC)                               | Raytheon                       |
| Financial Executives International   | Rohm and Haas                  |
| Fisher Scientific International Inc. | SBC Communications, Inc.       |
| Food Marketing Institute             | Sears, Roebuck and Co.         |
| Ford Motor Company                   | Southern Company               |
| General Dynamics Corporation         | Sprint                         |
| General Motors Corporation           | Texas Instruments              |
| The Goodyear Tire & Rubber           | The Timken Company             |
| Company                              | UPS                            |
| Hewlett-Packard Company              | U.S. Chamber of Commerce       |
| Honeywell                            | Verizon                        |
| International Mass Retail            | Washington Business Group on   |
| Association                          | Health                         |
| International Paper Company          |                                |