Communications Workers of America
Local Leaders List

March 31, 2010

To: All Telecom Local Presidents

Subject: Retiree Health Care & New Reform Legislation

Dear Colleagues:

You are probably getting many questions about the recent news stories about retiree health care and charges that companies took on their financial statements in response to the health care reform legislation recently signed into law.

As these are somewhat complicated issues, I've attached a detailed fact sheet which lays out the policy issues and an explanation. I have also included an article by Steven Greenhouse of the New York Times.

Here are the key items you should know:

1. CWA bargaining unit members are protected by their collective bargaining agreements. CWA has a written commitment from AT&T that there will be no changes in the retiree health care plan through 2012.

2. The issue is the reversal of a "windfall" that AT&T, Verizon and Qwest, among other employers, enjoyed as part of the Medicare Modernization Act of 2003. That law allowed employers to deduct as a business expense 100 percent of retiree drug plan costs, even though they received a rebate for 28 percent of the expenses. The new law means that employers will now pay taxes on the subsidy that they receive.

3. When tax law is changed, a company must report the impact of the change immediately, within the quarter that it is enacted.

4. For example, in company filings, AT&T reported that it expected to receive a total subsidy of $1.6 billion between 2010 and 2019 under the terms of the 2003 law. Under the terms of the new law, AT&T has reduced that estimate by $1 billion. That charge is what is being reported in the media.

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5. There are many other changes in the health care legislation which will help contain future cost increases, including:

A. A $5 billion reinsurance program for pre-Medicare retirees.

B. Reduction of the number of uninsured which is estimated to reduce the costs to our plans $1,000 person.

C. Reforms which the Business Roundtable estimates could reduce costs by $3,000 per person in 2020.

D. In 2020, the Medicare Part D drug benefit "donut" hole will be completely filled, incremental changes will begin immediately. Currently we bargain a standalone drug plan. We could instead rely on Medicare Part D and then bargain with our employers a "wrap-around" policy, one that provides a higher level of benefits than Medicare Part D. This approach could match our level of benefits while reducing the employers' FASB obligation (long-term retiree health care liability).

6. In the absence of health care reform, health care costs were slated to rise between 7 percent and 8 percent on average annually or higher.

These changes in health care legislation will improve the bargaining climate on retiree health. Over the last two decades our bargaining on health care and retiree health care has been extremely contentious. We negotiate in an environment where only 7 percent of Americans in the private sector have bargaining rights, and the numbers who have retiree health care have dwindled. Although the legislation is not as we would have written it, it makes our bargaining position better.

In Unity,

Annie Hill
Executive Vice President

Attachments

1. CWA Fact Sheet http://files.cwa-union.org/Leaders/HCMedicareFS.pdf
2. NY Times Article http://files.cwa-union.org/Leaders/HCATTArticle.pdf

c: Telecom Vice Presidents
Bill Bates