

Communications Workers of America Local Leaders List

May 6, 2010

To: All AT&T Local Presidents

Subject: **Misleading Reports on Employer-Sponsored Benefits**

Dear Colleagues:

Recent reports in the business press about AT&T and Verizon considering dropping employer-sponsored benefits are misleading. A recent article in Fortune (attached) suggests that AT&T and Verizon, among other employers thought about dropping benefits and instead paying a penalty that would be required under the new health care reform law.

The first thing to keep in mind is that our negotiated benefits are protected by the collective bargaining agreement and the company cannot unilaterally change the benefits. CWA has not and will not agree to the company dismantling the employee health benefits package we have built over decades.

Upon reading, you will see that the article does not base its conclusions on any direct interview or testimony by company representatives. Instead, it is based on documents provided to the Energy and Commerce Committee when it was planning a hearing on the impact of health care reform on large businesses. Both AT&T and Verizon, along with other companies, had been asked to testify and submit documents. The documents included PowerPoints and other presentations by consultants and others analyzing the impact of the new health care reform law on the particular employers.

A Republican Energy and Commerce Committee staffer posted the documents to their website without permission and without explanation from the companies. However, the Minority Staff did post their own interpretation of the documents which were included in a memo dated April 27, 2010. So, it appears that the background documents and a memo drafted by Republicans were the basis of the article.

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We have requested that AT&T issue a clear statement of their continued commitment both to quality benefit plans and collective bargaining. We hope that they make a statement soon in order to clarify this partisan attempt at misinformation.

In Unity,

Annie Hill
Executive Vice President

c: Vice Presidents
Bill Bates
Staff

POLITICO

Firms mulled dropping insurance plan

By: **Jennifer Haberkorn**
May 7, 2010 09:12 AM EDT

Four large companies have weighed dumping their employees' insurance plans and paying a penalty to the federal government under the new health care law, a move that would be a substantial blow to the Democrats' health care overhaul.

AT&T, Verizon, Caterpillar and John Deere all prepared internal documents as the legislation was being considered that compared the costs of keeping coverage or paying the penalty, according to Fortune magazine.

Verizon told the magazine that it is not considering canceling plans. Other companies declined to comment.

It's unclear from the Fortune article whether the firms were serious about dropping the plans or whether they were just calculating the relative costs of doing so.

Critics of the health care plan had warned of the scenario, which would dismantle the employer-based health system that has dominated in the country for half a century and violate President Obama's pledge that people who like their current coverage could keep it.

"Even though the proposed assessments [on companies that do not provide health care] are material, they are modest when compared to the average cost of health

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care," according to a document prepared for Verizon, the magazine reported.

If many employers drop coverage, it would dramatically increase the cost of the overhaul plan.

If large employers do not provide coverage and at least one of their employees qualifies for a tax subsidy, the employer would have to pay a \$2,000 penalty for every employee — not just those who get subsidies.

The documents were pulled together last month for Democrats on the Energy and Commerce Committee, which prepared a hearing to examine the companies' public reports citing large write-downs because of tax breaks eliminated by the law.

The requesters, led by chairman Henry A. Waxman (D-Calif.), wanted all of the companies' internal documents related to health care costs. But the hearing was cancelled shortly after staff read the documents, according to Fortune.

Critics had warned that the health plan's requirements for most large employers — provide coverage or pay a penalty if employees end up with federal tax credits — would merely force employers to choose the cheaper option of paying the penalty.

AT&T, for instance, calculated that it spends \$2.4 billion a year providing health insurance, but would only spend \$600 million if it chose to pay the penalty.

Employers also are worried about being hit with the so-called "Cadillac" tax on insurance plans valued at more than \$8,500 for an individual or \$23,000 for a family. [Verizon](#) expects the tax will cost \$255 million a year.



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