

Congress of the United States
Washington, DC 20515

July 23, 2004

President George W. Bush
The White House
1600 Pennsylvania Avenue
Washington, DC 20500

Dear President Bush:

We are writing in response to a July 14 *New York Times* article which reported that Administration estimates of the new Medicare law indicate at least 3.8 million retirees will lose their employer-sponsored prescription drug coverage when the law goes into effect in 2006. We understand that the number rises each year. This most recent revelation is yet another example of how this Administration suppressed critical information from Congress prior to passage of this controversial new law. It is also a slap in the face to the millions of retirees who paid into the employer-based retirement system for years thinking they would be guaranteed comprehensive health benefits and retirement security.

In the months since enactment of the Medicare law, Congress has learned of several important pieces of information about the legislation that should have been aired earlier in order to have an informed debate. In February, your fiscal year 2005 budget estimated the actual cost of the Medicare bill to be at least \$134 billion more than the \$400 billion repeatedly claimed during conference negotiations. In March, we learned that members of your Administration deliberately withheld cost estimates from Congress and threatened Richard S. Foster, the Chief Actuary of the Centers for Medicare and Medicaid Services (CMS), in order to do so. Now, press reports indicate that CMS has estimated that far more retirees will lose their employer-sponsored prescription drug coverage because of this new law than members of Congress were led to believe last year when the votes occurred.

On November 19, just three days before the Medicare conference report narrowly passed the House, Committee on Ways and Means Chairman Bill Thomas released a white paper on retiree coverage which claimed that "CBO has said that the number of retirees losing coverage will be significantly lower in the conference report than either the House or Senate bills."¹ This "significantly lower" estimate indicated 2.7 million retirees would lose coverage as opposed to the 3.8 million estimated by CBO in a letter to Chairman Thomas five days earlier.² CBO attributed the difference in loss of retiree coverage to the employer subsidy passed as part of the final bill. However, the new Administration estimates of 3.8 million retirees losing coverage confirm what we have argued all along – because the employer subsidy is meager in comparison to the subsidy given to private plans, it will have a negligible impact on employers dropping their retiree prescription

¹ <http://waysandmeans.house.gov/media/pdf/healthdocs/employercoverage.pdf>

² Letter from CBO Director Douglas Holtz-Eakin to Representative Bill Thomas (November 14, 2003).

drug coverage. Instead, the subsidy differential between employers and private plans, coupled with the inability of employers to contribute to Medicare beneficiaries meeting the catastrophic limit, creates a strong incentive for employers to drop their existing retiree drug coverage and enroll their retirees in less comprehensive Medicare plans.

The new estimates are disconcerting for a number of reasons. First, as is the case with the \$534 billion cost-estimate, members of Congress should have known about the higher retiree estimates prior to voting on the Medicare bill in order to fully evaluate its effect on constituents. These estimates are not insignificant. Approximately 3.8 million people, or more than one-third of all retirees with employer-sponsored prescription drug coverage, now have their coverage at risk. Millions more will remain in an employer plan, but are likely to see their benefits reduced even as employers get a government subsidy. Given the magnitude of the effect of this bill on retiree coverage, the nondisclosure of this estimate is a serious breach of trust. Knowing the true impact of this legislation on retirees could have very likely changed the outcome of the Medicare vote.

Second, knowledge of these estimates could have added to the swell of members already concerned about the bill's effect on retiree coverage giving further momentum for changes in the legislation. We could have, and should have, tackled this problem prior to passage of the Medicare law. But instead, your Administration worked against protecting retiree benefits, and added to the steady erosion of retiree health benefits by keeping this key estimate from Congress and actively opposing amendments to rectify this wrong. On June 12, 2003, an amendment was offered during the Senate Finance Committee mark-up of S.1 which would have allowed employer spending to count toward a beneficiary meeting the catastrophic limit. Because of your Administration's opposition to this proposal to protect retiree coverage, the amendment failed by a vote of 6 to 15.

Finally, on the same day that the *New York Times* article was published, *Health Affairs* posted a study on its website which indicates that a majority of Americans nearing retirement expect to have employer-sponsored health coverage when they retire.³ This study underscores the fact that there is a huge disconnect between the benefits workers expect to receive when they retire and what will actually be available to them once this prescription drug benefit is fully implemented. We owe it to current and future retirees to do all that we can to protect employer-sponsored health coverage, so that retirees are not left defenseless in the years that health care is often the most critical.

On June 18, 36 Senators wrote to Secretary Thompson asking that he use his administrative authority to implement a Medicare standard that protects employer-sponsored retiree health benefits. We stand behind that letter, and further call on your Administration to work with Congress to enact legislation that 1) allows employer spending to count toward beneficiaries meeting the catastrophic limit and 2) provides employers a subsidy equal to that provided to private

³ *Paying For Health Care In Retirement: Workers' Knowledge Of Benefits And Expenses*. Health Affairs (July 14, 2004).

plans. We also hope that the forthcoming regulation will provide meaningful details on your plans to fight the erosion in retiree coverage expected as a result of this legislation. Furthermore, given that the Centers for Medicare and Medicaid Services claimed that the 3.8 million estimate cited in the *New York Times* reflected a “rejected” proposal, we expect that the regulation will include revised estimates reflecting the Administration’s proposal to implement this area of the law. Finally, we are calling for an end to the deception and secrecy displayed by this Administration time and time again regarding cost estimates related to the Republican Medicare law.

We appreciate your prompt attention to this matter.

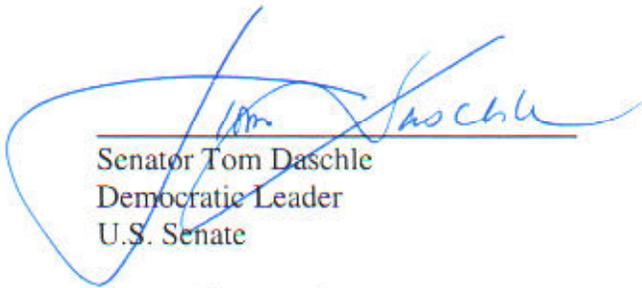
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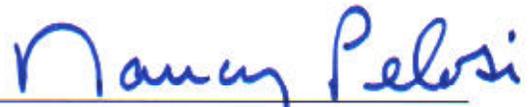
Senator John D. Rockefeller IV
Ranking Minority Member
Subcommittee on Health
Committee on Finance
U.S. Senate



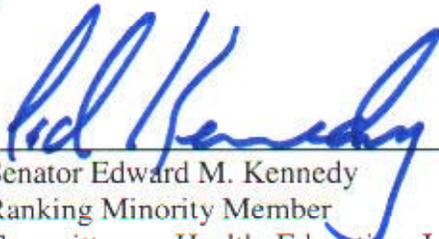
Representative Fortney Pete Stark
Ranking Minority Member
Subcommittee on Health
Committee on Ways and Means
U.S. House of Representatives



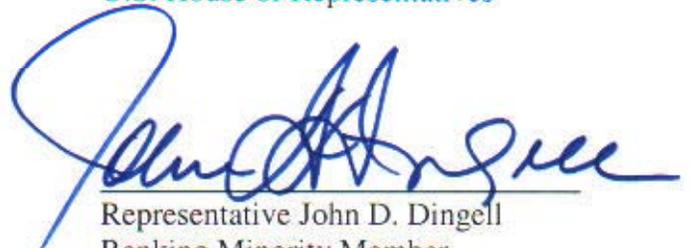
Senator Tom Daschle
Democratic Leader
U.S. Senate



Representative Nancy Pelosi
Democratic Leader
U.S. House of Representatives



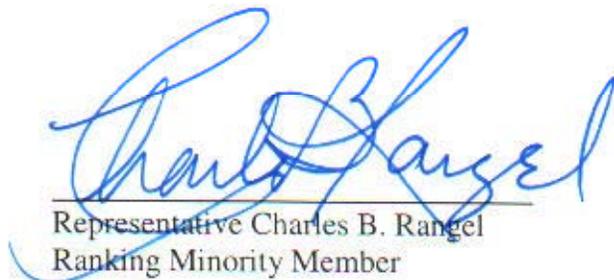
Senator Edward M. Kennedy
Ranking Minority Member
Committee on Health, Education, Labor,
and Pensions
U.S. Senate



Representative John D. Dingell
Ranking Minority Member
Committee on Energy and Commerce
U.S. House of Representatives



Senator Jon Corzine
U.S. Senate



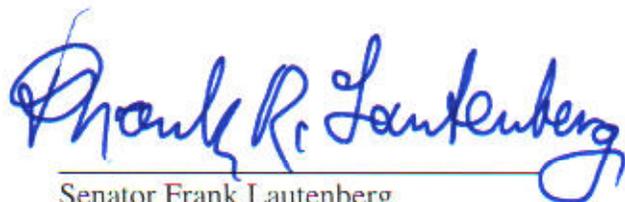
Representative Charles B. Rangel
Ranking Minority Member
Committee on Ways and Means
U.S. House of Representatives



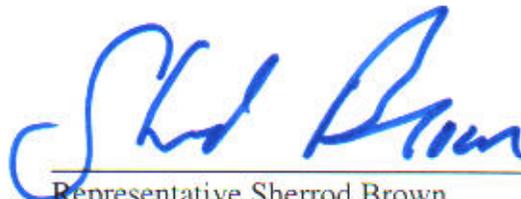
Senator Bob Graham
U.S. Senate



Representative Henry A. Waxman
Ranking Minority Member
Committee on Government Reform
U.S. House of Representatives



Senator Frank Lautenberg
U.S. Senate



Representative Sherrod Brown
Ranking Minority Member
Subcommittee on Health
Committee on Energy and Commerce
U.S. House of Representatives



Senator Hillary Rodham Clinton
U.S. Senate

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cc: The Honorable Tommy Thompson, Secretary, Department of Health and Human Services
The Honorable Mark McClellan, Administrator, Centers for Medicare and Medicaid Services