



*A Union of Professionals*

## **AFT POSITIONS ON HEALTHCARE REFORM LEGISLATION AND THE BAUCUS BILL**

**BACKGROUND:** The Senate Finance Committee is marking up the healthcare bill recently introduced by Chairman Baucus. A final committee vote is likely this week. Once the bill is approved, the Senators will work to meld proposals from the already passed Senate Health Education Labor and Pensions (HELP) Committee bill and the Baucus bill. A floor vote is expected in mid-October.

**1) Taxes Health Insurance Plans for the First Time.** As drafted, the Baucus bill would tax plans that cost more than \$8,000 (individual) and \$21,000 (family) at a rate of 40 percent in the year 2013. While these threshold values would be indexed to inflation, the index will be inadequate, and this provision will, over time, significantly hurt our members.

**AFT Position:** Oppose taxation of benefits because taxing benefits is likely to encourage employers to eliminate or reduce coverage and raise costs for retirees and workers with coverage. It also ignores the promise made in the recent election not to tax our healthcare benefits.

**2) Has No National Public Plan.** The Baucus bill encourages state and regional co-operatives to provide a new source of coverage. Essentially, these would be small, nonprofit insurance plans with little market clout or ability to drive changes in the market that will lead to lower costs overall.

**AFT Position:** Support a strong national public plan which will make coverage more efficient and affordable. Unlike private plans, a public plan would operate more efficiently administratively and not need to advertise or make a profit. As a result, it would be much more likely to improve the quality of healthcare and force private plans to become more efficient.

**3) Encourages Employers To Drop Healthcare Coverage.** The Baucus bill does not require employers to provide coverage. Currently, employer coverage supplies insurance for over 160 million Americans. Under the Baucus bill employers who do not provide coverage or drop coverage would only be required to pay up to \$400 per employee or pay the amount of any federal subsidy the employee gets from the federal government. In addition, insurers could charge older people not yet eligible for Medicare who have to buy their own insurance up to four times the average premium—a further incentive to drop healthcare coverage.

**AFT Position:** We support requiring employers to maintain a high quality health plan or pay a significant fee that would be used to help subsidize the cost of their employees' healthcare (called "pay or play" or "the employer mandate"). Further, we strongly oppose exorbitant premiums for older workers and retirees. There are nearly 5 million Americans between the ages of 55 to 64 without health insurance.

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## **AFT POSITION ON STRENGTHENING MEDICARE**

**BACKGROUND:** Medicare, our nation's largest federal public plan, was created to make sure that Americans would not have to choose between their healthcare and spending all they had saved. Since it was created in 1965, Medicare has improved access to healthcare, financial security and overall quality of life for tens of millions of Americans.

Before Medicare, only half of all older Americans had health insurance, and 35 percent of seniors lived in poverty. Today the poverty level for seniors is 11 percent, and all Americans 65 and older can get health insurance through Medicare.

Some changes in Medicare, however, have neither improved nor strengthened the program's core mission to provide dependable healthcare coverage for America's retirees and the disabled. Means-testing, massive subsidies to private insurers, incentives for providing more rather than the most effective procedures, and skyrocketing healthcare costs all threaten the program.

### **AFT Position on provisions to strengthen Medicare:**

**1) End Overpayments to Medicare Advantage (MA) plans:** These overpayments, averaging about 14 percent more than payments to traditional Medicare, cost every Medicare beneficiary an extra \$3 per month in Part B premiums, whether or not they are in a MA plan. Scaling back these overpayments would save Medicare up to \$190 billion and enable Medicare to pay hospital benefits for at least two more years.

**2) Eliminate the Part D Prescription Drug Doughnut Hole.** High prices are pushing more seniors into the doughnut hole. Studies confirm that once in the gap, one in seven seniors in the doughnut hole is not taking needed medications. Millions more may be cutting back such medications to avoid falling into the gap in coverage.

More than 3.4 million Medicare beneficiaries fall into the doughnut hole, a gap in prescription drug coverage, which begins once annual drug costs for a recipient reach \$2,700. Once in the doughnut hole, the recipient is responsible for paying all of the next \$3,454 in expenses and must continue to pay plan premiums. This coverage gap must be eliminated.

**3) Authorize Medicare To Negotiate Drug Prices with Pharmaceutical Companies.** The 2003 Medicare Modernization Act (MMA) currently prohibits Medicare from negotiating prescription drug prices. This ban prevents Medicare from getting lower prices such as those negotiated by the U.S. Veterans Administration. This prohibition should be repealed.

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