



President
George J.Kourpias

Secretary-Treasurer
Ruben Burks

Testimony of
Donald Newcomb
On behalf of
The Alliance for Retired Americans
Before the
Committee on Government Reform
Subcommittee on Human Rights and Wellness
U.S House of Representatives
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Chairman Burton and Members of the Human Rights and Wellness Subcommittee, thank you for holding this hearing today on the proposed Medicare prescription drug benefit and its effect on seniors.

My name is Donald Newcomb from Indianapolis, Indiana. I am here today representing the Alliance for Retired Americans. The Alliance is a national organization of over three million members that works to create an America that protects the health and economic security of seniors, rewards work, strengthens families and builds thriving communities. It was launched in January 2001 by a national coalition of labor unions and community-based organizations dedicated to improving the quality of life for retirees and older Americans.

I worked for the Ford Motor Company and Visteon in Indiana for 38 years. It was my entire working life except for four years I spent in the Air Force. For three years I was a UAW international benefits representative where I dealt with the many problems retirees face under current health coverage. Although Visteon was spun off from Ford in 1999, we still receive retirement benefits from past UAW-Ford agreements. Our benefits include an employer-paid prescription drug program with a retiree co-pay. In order to obtain that coverage, wages and pension contributions are lower as a result of the UAW-Ford agreements. Our retirees receive lower Social Security and pension payments because part of our benefits package goes to pay for retiree health care. Now those benefits are threatened.

I retired last year. The main reasons were my wife's illness and my brother's heart attack. My wife was taking 17 prescriptions at the time. Fortunately, her condition has improved and she is now down to three prescriptions. We are afraid, however, this will not continue. My brother's heart attack has disabled him. After having by-pass surgery, he is now

taking several prescriptions. His wife is terminally ill with cancer and is undergoing radiation and chemotherapy at the same time. My mother-in-law needs several prescriptions because she suffers from Alzheimer's disease. I, myself, take prescription medication for high cholesterol and back problems. As you well know, prescription drugs are a central part of medical care today.

I and other UAW retirees are worried that the bill passed by the U.S. House of Representatives, H.R. 1, will put Visteon and other retirees at risk of losing their prescription drug coverage. Many employers may use the legislation to drop retiree coverage. I know that the Congressional Budget Office has told you that over four million retirees with prescription drug coverage could lose those benefits under this bill. Members of the Subcommittee, I am here today to tell you that I am one of those four million. And I am worried to death what the effect would be on my family and on other retirees in my community and nation. Already, I have seen firsthand many friends dropped by their HMOs in Hancock County in Indiana.

We are troubled that this bill does not provide incentives for employers to provide or keep retiree health coverage. We have to re-negotiate our retiree benefits when our UAW contract expires this year. We are afraid that a prescription drug benefit is one of the things that may go.

Loss of our prescription coverage would drastically reduce our benefits and greatly increase our out-of-pocket costs. Right now, we have no monthly premium. We have no deductible to meet before our benefit starts. Our co-pay is only \$5 for generic drugs, with varying costs for brand names. Remember, these are hard-won benefits for which retirees received lower wages during their working lives and now have lower Social Security and pension checks in their retirement.

Under H.R. 1, we would pay \$35 per month and a \$250 deductible before receiving any benefit. We would then have a co-pay of 20% on the next \$1750. After that we will be responsible for all the costs of our prescriptions from \$2000 to \$4900, while still paying premiums every month.

The House bill discriminates against retirees who have coverage through employer-provided health plans. The fact that employer contributions would not count toward meeting the catastrophic “stop-loss” protection is deeply troubling. That’s not the way it currently works for Parts A and B in existing Medicare for hospital and doctor care. The employer contributions count. Although many in Congress may claim this trick will save money for Medicare, any provision that encourages employers to drop their retiree benefits will only end up costing the federal government more – and hurt millions of seniors in the process. And, if you’re not eligible for Medicare, and I am not yet 65, the results could be financially disastrous – with potentially no coverage at all.

Employer-sponsored retiree health benefits are the single greatest source of coverage for retirees, providing drug coverage for nearly one in three Medicare beneficiaries. However, retiree coverage is declining dramatically. Just 34 percent of all large firms with 200 or more workers offered retiree benefits in 2002. That is down from 68 percent of all large firms in 1988. The way that H.R.1 treats employer provided coverage the situation could only get worse. More burdens will actually fall on the federal government and more retirees will be hurt in the process.

Members of the Subcommittee, I am here today to ask that you enact a drug benefit that supports employers that are doing the right thing and providing prescription drug benefits to their retirees. Millions of seniors have relied on and planned their retirements based on these benefits. To do otherwise will further threaten retiree drug coverage and will make millions of seniors worse off. Thank you very much for inviting me here.