

AMERICAN FEDERATION OF LABOR AND CONGRESS OF INDUSTRIAL ORGANIZATIONS



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LEGISLATIVE ALERT!

(202) 637-5057

May 24, 2011

Dear Senator Kerry:

On behalf of the AFL-CIO, I am writing to express our strong support for the Retiree Health Coverage Protection Act that you have introduced with Senator Stabenow. By extending the reach of the Early Retiree Reinsurance Program, this bill will provide crucial assistance to thousands of people aged 55 and older, a group that faces serious challenges in obtaining health insurance.

As you are aware, the Early Retiree Reinsurance Program (ERRP) has recently been implemented by the Centers for Medicare and Medicaid Services (CMS) to address an alarming trend in health insurance coverage. Over the past 20 years, large employer coverage of retirees has dropped 38 percent – from 66 percent in 1988 to only 28 percent in 2010. When older adults must turn to the individual market to purchase coverage, they often find that they cannot obtain insurance because of preexisting conditions or their premiums are set at five times the rates they were paying before, or even higher.

As a “reinsurance” program, the ERRP helps employers maintain coverage of retirees by bearing some of the risk that pertains to insuring older adults. For retirees that have expensive episodes of care, the ERRP program will pay for a portion of the costs of their care. By law, the resulting savings must be used to administer further coverage under the health plan and cannot be returned to enhance the general revenues of employers. In the first nine months of implementation, the ERRP program has supported the coverage of over 100,000 individuals.

It is important that the program be funded at least at the \$10 billion level originally provided for it by the Senate Health, Education, Labor, and Pensions Committee. Currently funded at \$5 billion through 2014, CMS stopped taking applications for the program earlier this month because the funding falls well short of the need.

We look forward to working with you to pass this important legislation.

Sincerely,

William Samuel, Director
GOVERNMENT AFFAIRS DEPARTMENT