

United States Senate

WASHINGTON, DC 20510

December 4, 2009

COMMITTEES:
AGRICULTURE, NUTRITION AND
FORESTRY

BANKING, HOUSING AND
URBAN AFFAIRS

COMMERCE, SCIENCE AND
TRANSPORTATION

VETERANS' AFFAIRS

INDIAN AFFAIRS

Mr. Rick Foster
Chief Actuary
Centers for Medicare and Medicaid Services
7500 Security Boulevard
Baltimore, MD 21244-1850

Dear Mr. Foster:

I am writing to express my concern that health care reform legislation would encourage employers to discontinue providing retiree prescription drug coverage. This would in turn cause retirees to lose their private drug coverage and would increase costs to Medicare. Specifically, I am concerned about the elimination of tax deductibility in regards to the retiree drug subsidy provision coupled with Medicare Advantage cuts in H.R. 3590, the Patient Protection and Affordable Care Act.

I request that the Office of the Actuary at CMS analyze the elimination of the tax deductibility of the retiree drug subsidy provision and answer the following questions as expeditiously as possible.

- 1) What is the projected impact with regard to increased tax liability on the employers who retain their retirees' prescription drug coverage?
- 2) How many employers are likely to drop prescription drug coverage for their retirees due to this reduction?
- 3) If employers drop their prescription drug coverage for retirees, what is the projected short and long term impact on the federal budget?
- 4) What is the projected impact on retirees' drug coverage benefits should employers choose to drop these private plans?
- 5) What is the projected impact on Medicare Advantage plans?
- 6) Because accounting rules for post retirement benefits require a company to account for the cost of providing the benefits as an employee renders service, rather than when benefits are paid, how will this elimination of tax deductibility impact the employer's balance sheet, obligations, and ability to hire additional workers?

7) Conversely, what is the projected impact of this elimination on current worker's wages?

Recognizing the importance of having such analysis prior to any final vote on the legislation, I look forward to your timely response and the assurance that these questions will be completed in order to provide me and the American people with the information necessary to fully assess this proposed legislation.

Very truly yours,



Mike Johanns
United States Senator