

# The Retiree Newsletter

November 2004

- I. **Jack Judd Prepared the Following Report on the Speakers:** Appearing at the November 2 meeting was Steve London, Executive Officer of the PSC-CUNY Welfare Fund and First Vice-President of the PSC, and Larry Morgan, the newly installed Administrator of the PSC-CUNY Welfare Fund, who came to speak to us on the topic: "The Current Situation of the Welfare Fund."

Professor London began his remarks by stating that the outcome of the presidential election, taking place the next day, would have an impact upon future health benefits for all families. A Kerry victory may pave the way for a national health plan beneficial to all Americans.

As for the current Welfare Fund situation, he declared that the Trustees of the Welfare Fund had to take drastic actions during the past year in order to cope with an assumed \$10 million deficit. Such a deficit resulted from skyrocketing prescription drug costs, accompanied by a precipitous drop in the overall American economy. Despite facing such a catastrophic shortfall, the effort was made to continue maintaining the Fund's benefits structure. In order to do so, major changes had to be instituted. A \$50 deductible was instituted for retirees for prescription drugs, and the Guardian plan was introduced for dental benefits.

Although the current deficit has been reduced to \$1.8 million, the anticipated deficit for the forthcoming two years hovers around \$7-8 million. The only long term solution to this dilemma is to receive an infusion of additional new money into the Fund's coffers. This can only come about through collective bargaining. Each one percent increase in the contract bargaining package equals approximately \$8.8 million. Therefore, at the minimum, at least one percent of any new money allotted in the next CUNY contract should be used to preserve Welfare Fund benefits.

Professor London ended his remarks by urging every retiree to go to the PSC's website, <http://www.psc-cuny.org>, and sign a letter, to be found there, addressed to Chancellor Goldstein in which it is emphasized that the new contract must protect the Welfare Fund. He then introduced Larry Morgan.

Mr. Morgan comes to the PSC-CUNY Welfare Fund with many years of experience as an administrator for union funds. He stated that among his goals are the introduction of more efficient office operations, improved lines of communication between office staff and the insurance carriers, and improved communication between the Welfare Fund and the membership. He wants the Fund to become active advocates on behalf of the members when issues may arise with the insurance companies. He then invited questions from the floor.

Both Steve London and Larry Morgan responded to questions concerning the collective bargaining process, some problems related to the MEDCO program and, most of all, with the Guardian Dental Plan. It was also discovered that CIGNA is still carrying the names of those who have retired and who are now covered under Medicare. That situation will be checked. Another issue was raised regarding whether someone under Medicare and with secondary medical coverage should also carry the Marsh & McLennan Catastrophic medical insurance policy. There are three areas of coverage provided by that plan which someone with Medicare might want to carefully consider.

1. The MEDCO prescription drug plan has an annual cap of \$10,000. There is no prescription drug cap under the Catastrophic plan;
2. The plan provides for \$35,000 in private duty nursing;
3. The plan provides for 300 home care visits.

If an individual still seeks further clarification, then it is suggested that the Welfare Fund be called at: 212-354-5230.

The audience appreciatively thanked the two speakers.

- II. Health Care Issues Committee – Jack Judd:** A recent article appearing in the October 25 issue of **THE NEW YORKER**, written by Malcolm Gladwell, with the title, “HIGH PRICES: How to think about prescription drugs,” is worthy of our notice. In this article, Gladwell describes how the pharmaceutical firm of AstraZeneca sought to protect its \$26 billion profit made on the heartburn remedy, Prilosec. Afraid of the drop in profits once this drug was no longer under patent protection, the company’s chemists devised a modified form of the drug by shifting from a two isomer formula to a one isomer formulation. The new form was packaged as Nexium. AstraZeneca then spent a half-billion dollars in advertising in order to convince the general public and physicians that this was a state of the art medication to relieve heartburns. It was priced at \$120 for a month’s supply. It has become one of the leading medications in the U.S. today. Prilosec, meanwhile became an over-the-counter medication selling for \$20 a month. The Prilosec sold over-the-counter is identical to Nexium. Which medication will the general public ask their physicians to prescribe? Gladwell then points out that not all medications reach the status of the two named medications. He asserts that, “Americans pay more for drugs when they first come out and less as the drugs get older, while the rest of the world pays less in the beginning and more later.”

How does this all affect the Welfare Fund? The emphasis is placed on the use of generic equivalents of the name brand drugs. Since the competition is fierce in the U.S. among pharmaceutical companies who seek to obtain a portion of the generic market, drugs in that form may be purchased for a fraction of the name brand drugs. But how do we educate the general public for them to become

aware that many of the high-flying drugs are to some extent rip-offs? Is it any wonder that the Welfare Fund finds that it cannot keep up with the drug costs that rose, on average, some 17 percent last year? When was the last time you asked your physician for a drug splashily advertised in your favorite newspaper or magazine? The physicians bear just as much blame as the general public in their gullibility. Let's adopt the Syms clothing motto: "An educated consumer is our best customer."

### III. Report of Lawrence J. Kaplan:

**Social Security:** Monthly Social Security benefits for 47 million beneficiaries will increase 2.7 percent in January 2005. This 2.7 percent, the annual Cost-of-Living-Adjustment (COLA), is increased automatically based upon the rise in the U.S. Bureau of Labor Statistics; *Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W)*. It is calculated from the third quarter of the prior year (2003) to the corresponding period of the current year (2004). The automatic COLA for Social Security has been in effect since June 1975. For the estimated 156 million workers who will pay Social Security taxes in 2005 other changes that take effect in January of each year are based upon the increase in average wages. Based on that increase, the maximum amount of earnings subject to the Social Security tax (taxable maximum) will increase from \$87,900 in 2004 to \$90,000 for 2005. Detailed changes are attached.

- A. **Medicare:** The U.S. Department of Health and Human Services releases annually the Medicare premium, deductible and coinsurance amounts to be paid by Medicare beneficiaries. For Medicare Part A, which pays for inpatient hospital, skilled nursing facility, and some home health care, the deductible (charge for the first day in a hospital) paid by a beneficiary will be \$912 in 2005, an increase of \$36 from the 2004 deductible of \$876. The monthly premium paid by beneficiaries enrolled in Medicare Part B will be \$78.20, an increase of 17.4 percent of \$11.60 over the \$66.60 premium for 2004. Medicare Part B covers physician services, outpatient hospital services, certain home health services, durable medical equipment and other items. About 95 percent of Medicare's 42 million beneficiaries are enrolled in the optional Part B program.

Medicare deductibles and premiums are updated annually in accordance with formulas set by law. The Part B premium must cover 25 percent of estimated program costs while general revenues cover the other 75 percent of costs. Detailed changes are attached.

- IV. Next Meeting:** The next meeting will be on Monday, December 6, 2004 at the CUNY Graduate Center, rooms 9204-9205, 1-3 pm. Our guest speaker will be Mr. Frank Stella, Retiree Director, American Federation of Teachers. His topic will be “Labor and the National Election.”

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