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## Double Dipping: The Facts about Retiree Prescription Benefits, Health Reform and the Impact on Companies

Some businesses have claimed they are expecting additional costs from health insurance reform because of changes to how they can claim government money they get for retiree prescription drug coverage.

As is the case with much involving reform, there is misinformation, half-truths and corporate spinning going around. Here are the facts:

The problem doesn't lie with corporate accounting; it lies with those who have politicized that accounting, treating first quarter earnings from about a dozen companies as a way to judge the entire impact of health reform on America's businesses.

The 2002 Medicare Modernization Act included not only a subsidy to help companies pay for retiree prescription drug coverage, but also allowed them to deduct that subsidy from their corporate income taxes as if it was their own spending. The Patient Protection and Affordable Care Act ***kept the subsidy intact*** but simply eliminated the ability to deduct the subsidy as well.

Affected companies posted earnings figures indicating they had taken big losses as a result of this change but in reality they were exploiting a loophole in the system that basically allowed them to double-dip the allowance.

"Wall Street certainly gave a collective yawn. Stock prices for the companies that made announcements that they were taking the pre-tax loss barely budged (some went up), and analysts urged investors not to overreact because the accounting change would have a negligible impact on these companies' valuation, or market capitalization." [New York Times](#)

As for the question of how this change will affect seniors:

“The remaining tax subsidy is substantial and many companies and their workers value the retiree drug benefit, so defections may be small. If some retirees do lose their company drug benefits, they can buy government-subsidized coverage in Medicare that may be just or almost as good and will be getting better as health care reform progresses. Willing employers could also help subsidize their retirees’ drug coverage in Medicare.

That’s the least they should do in return for the generous tax benefits they have been receiving.” [New York Times](#)

The ability for the employer to get the subsidy and then deduct it from their taxes was an issue the USW fought against in the Medicare Part D fight. It was a classic Bush tax break for corporate America that wasn’t needed. This bill really just eliminated a loophole that should have not been in place from the beginning.

Please also note that the new law provides for many other protections and benefits for Medicare beneficiaries. We’re still awaiting guidance on the full impact of these changes, but one thing we do know with respect to the Medicare Part D program is that the new law makes it possible to completely close the “donut-hole” by 2020. The donut hole is when Medicare only pays for medicine up to a certain amount, then seniors are expected to pay the rest.

This change means seniors will no longer have to worry about paying for medicine or food. Yet another provision in the original 2002 law that we fought against and for which we now have a remedy thanks to President Obama and health insurance reform.

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