



Transportation Communications International Union

An affiliate of the International Association of Machinists and Aerospace Workers



God Bless America

SOCIAL SERVICES DEPARTMENT

Robert A. Scardelletti, *International President*

Russell C. Oathout, *International Vice President*

November 3, 2009

TO: Executive Council
Carmen Division Officers
International Representatives
Assistant International Representatives
All Local Chairpersons with Members Covered by
The National Health and Welfare Plan (GA-23000)

Dear Sisters and Brothers:

The annual rate renewal meeting for the Railroad Employees National Health and Welfare Plan (the "Plan") was held in Washington, D.C., on October 27, 2009, at which time payment rates for 2010 were established. Rail Labor (the Cooperating Railway Labor Organizations, or "CRLO"), as a Joint Policyholder, participated in the annual rate-setting meeting on an equal footing with the railroads. As Chairman of the CRLO, I hereby report that the cost-sharing amount for 2010 will be \$200 per month.

The payment rate for 2010 increased by a total of \$200.88 to \$1,340.62. The increase breaks down to \$29.04 for employees and \$171.84 for the railroads. In other words, the railroads will be paying most of the increase.

Although the employee cost-sharing amount is set at 15% of the payment rate, the amount for 2010 is capped under the 2007 National Agreements at \$200. It is important to note that the \$200 cap will remain in effect in subsequent years until a new National Agreement is reached. As a result of the cap, employees will now be paying slightly less than 15% of the payment rate and the railroads slightly more than 85%.

There are a number of reasons why the payment rate dramatically increased from 2009 to 2010, which are explained below. First, here are the component parts of the payment rate upon which cost-sharing is based:

	<u>2009</u>	<u>2010</u>	<u>Increase</u>
Medical (Including Rx)	\$1,061.46	\$1,261.11	18.8%
Life and AD&D (MetLife)	\$12.30	\$12.30	0.0%
Dental (Aetna)	\$55.98	\$56.96	1.75%
Vision (VSP)	<u>\$10.00</u>	<u>\$10.25</u>	2.5%
Totals	\$1,139.74	\$1,340.62	→ \$200.88
Employee Contribution (@ 15%)	\$170.96	\$200 (Capped)	

As the above data illustrates, most of the increase in the payment rate is attributable to the 18.8% *increase in the cost of medical benefits*. Medical trend, a part of that increase, is based on factors, such as increases in the cost of services, as well as the amount of services consumed (e.g., the severity and duration of illnesses, the number of visits to a doctor, outpatient procedures, hospitalizations, length of hospital stay, etc.). The medical trend portion of the 18.8% total increase for medical benefits was about 8%, which is within the normal range for comparable plans in 2009. However, this year there were a number of unexpected intervening factors which added significantly to the increase for this period.

First, due to the recession, between 14,000 and 15,000 railroad employees were furloughed *in addition to normal seasonal furloughs* during 2009. Plan funding is based on a monthly contribution for each active employee, so the furloughs had considerable negative effect on funding. Simply put, if there are less active employees, fewer payments are being made to the Plan Trust. As required by our Agreements, furloughed employees have continuation of coverage for at least four months, so the expenses of furloughed employees and their dependents are still being paid by the Plan, even though no payments are being made on their behalf for the second, third and fourth months of coverage. But while the extension of benefits to furloughed employees was a contributing factor in the rate increase, we fought hard to attain the furlough coverage extension, and we must remember that it is a critical benefit for rail workers who are laid off.

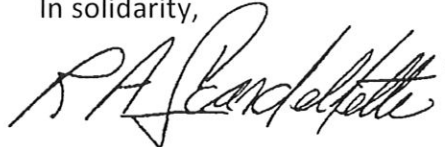
In addition, thousands of dependents who were previously dropped from coverage during the Dependent Eligibility Audit in 2008 were unexpectedly returned to coverage during 2009, with benefits being paid retroactively, upon presentation of proper documentation.

Finally, the Plan Trust had no surplus funds available from which to offset the payment rate. For example, the 2009 payment rate is currently being reduced by \$88.12 each month through the use of surplus funds. Looking back, the offset was \$89.18 in 2008, \$55.91 in 2007, and \$85.03 in 2006. As a result of these and other unexpected factors, any potential surplus funds that might have been used as an offset in 2010 are simply not available. By itself, the lack of surplus funds for use in 2010 accounts for over half of the total medical payment rate increase from 2009 to 2010.

In sum, the increase in the payment rate from 2009 to 2010 is largely due to unforeseen factors that arose after the 2009 payment rate had been set.

We continue to believe that the implementation of the Nurse Line, Custom Care Coordination, Disease Management, Integrated Behavioral Health, and Wellness Programs (Healthy Weight and Smoking Cessation) programs in 2007 and 2008 will help keep the medical trend at levels that are on par or below similar plans going forward, and we will continue to explore new avenues of controlling Plan costs without sacrificing benefits.

In solidarity,

A handwritten signature in black ink, appearing to read "R.A. Scardelletti". The signature is fluid and cursive, with a prominent initial "R" and "A".

Robert A. Scardelletti
International President

Attachment

cc: All Other Local Chairpersons, as info

January 1, 2010 Monthly Employee Contributions
 Prepared October 29, 2009

	2009 Monthly Payment Rates	2010 Monthly Payment Rates	Increase '10 over '09 \$	%
NHR FO Medical	\$1,061.46	\$1,261.11	\$199.65	18.8%
Life/AD&D Insurance	\$12.30	\$12.30	\$0.00	0.0%
Dental	\$55.98	\$56.96	\$0.98	1.8%
Vision	\$10.00	\$10.25	\$0.25	2.5%
Total Payment Rate	\$1,139.74	\$1,340.62	\$200.88	17.6%
Employee Contribution % (15%)	15%	15%	NA	NA
Employee Contribution \$ before cap	\$170.96	\$201.09	\$30.13	17.6%
Employee Contribution \$ after cap	\$170.96	\$200.00	\$29.04	17.0%

Payment Rates above exclude the NRLC admin. Fee