



Brotherhood of Maintenance of Way Employees Division of the International Brotherhood of Teamsters

Freddie N. Simpson
President

Perry K. Geller, Sr.
Secretary-Treasurer

July 21, 2009

Hon. Edward M. Kennedy, Chairman
Senate Committee on Health, Education, Labor, and Pensions
United States Senate
Washington, D.C. 20510

Hon. Christopher J. Dodd
Senate Committee on Health, Education, Labor, and Pensions
United States Senate
Washington, D.C. 20510

Hon. Michael B. Enzi, Ranking Member
Senate Committee on Health, Education, Labor, and Pensions
United States Senate
Washington, D.C. 20510

Dear Committee Members:

As Congress addresses pending legislation to improve health care coverage in this country, I want to describe a comprehensive national healthcare plan that works – the one collectively bargained between railroad employees and the nation’s major freight railroads. The railroad employee health care plan integrates seamlessly with the unique set of statutory and collectively bargained benefits that are specific to railroad workers.

Any changes in the private health care system must be made in ways that do not cause the successful railroad health care system, and related wage and benefit systems, to unravel. Over 160,000 railroad employees, and their spouses and dependents, and tens of thousands of railroad retirees, a total of 410,000 individuals throughout the United States, are concerned that any legislation affecting the availability and delivery of health care not harm the comprehensive healthcare system which is seamlessly integrated with other benefit systems for rail employees. We are particularly concerned that proposals to tax health benefits will throw into chaos the comprehensive system of benefits in the rail industry, including wages, working conditions and other benefits, which have resulted from decades of bargaining in the rail industry.

Health insurance, sickness and unemployment benefits, retirement annuities and other benefits for railroad employees are provided through a complex system of statutory and collectively bargained programs that are comprehensive, national in scope, and unique to the railroad industry. Over decades, the programs that protect rail employees have been designed and redesigned to ensure that rail employees and their families, whether active or retired, have benefits when they are sick, injured, unemployed, or retired.

While the various benefits provided to rail employees are far from perfect, they have been provided to rail employees as a result of decades of hard bargaining with rail employers and actions by the Congress to maintain federal rail benefit programs to protect rail employees. Negotiations over these benefits are part of the bargaining process between rail employees and rail employers that establishes wages and working conditions in the industry. Employers and employees, either through private programs or taxes upon employers and employees, fund all of the benefits. The rail industry has a complex, interdependent set of social benefits for railroad employees and their families. Any change to one of those benefits could well have unintended and seriously deleterious effects on the others.

The centerpiece of these interconnected benefits is the collectively bargained “Railroad Employees’ National Health and Welfare Plan,” commonly referred to as “the National Plan.” The National Plan covers virtually all rail employees, and their spouses and dependents, on the major freight railroads -- a total of about 92% of the freight railroad employees in the United States.¹ The National Plan provides both on and off-duty injury and illness coverage as well as mental health and substance abuse insurance coverage. The National Plan began in 1954 as a simple indemnity plan covering solely railroad employees. Over time, the National Plan has been substantially amended and now is a self-insured plan, of which both railroad management and railroad labor are joint fiduciaries, that provides on and off-duty injury and illness insurance benefits for railroad employees and their spouses and dependents. A private insurance company administers the plan and receives a fee for its services. In addition to the main National Plan, associated plans provide dental and vision coverage.

In 2007, rail labor and rail management amended the National Plan to provide expanded access to managed care networks to railroad employees and their dependents. At the time, over 25% of railroad employees were ineligible for managed care networks. After the parties amended the National Plan, over 98% of railroad employees became eligible for enrollment in managed care networks and in many geographic areas multiple networks are available. Additionally, as an important cost control, the parties agreed that employees eligible for enrollment in managed care networks would pay substantial penalties if such networks were not utilized. This expansion of network coverage was funded by the employees through increased co-payments for doctor visits and increased co-payments for prescription medications.

Currently, the National Plan provides health insurance that is national in scope, which is essential in the railroad industry. Employees in many crafts, especially maintenance of way, signals, train and engine service, may be required to work many miles from their residences, very often staying away from home for days or weeks at a time. The National Plan provides seamless

¹ Employees of Amtrak are covered nationwide by a collectively bargained plan commonly referred to as “Amplan,” which provides benefits substantially similar to the freight employees’ National Plan.

coverage to those employees at their workplace while providing identical coverage to their dependents at home. In other words, a maintenance of way employee working in a production gang in California has the same access to network coverage that his family in Illinois has. Additionally, benefits under the National Plan are “portable” in that an employee who moves from one railroad to another is not treated as a new entrant to the National Plan, so exclusions for pre-existing conditions do not apply.

The price for such comprehensive, nationwide coverage is not cheap. Presently, the cost for both on duty injury coverage, foreign to occupation coverage, dental coverage, vision coverage and retiree medical coverage is over \$14,000 per year per railroad employee. In the calendar year 2008, the National Plan paid over \$1.7 billion in benefits to service providers for on-duty and off-duty injury and illness benefits. Every penny of those benefits came from employer premiums and employee cost-sharing contributions to those premiums. Today, railroad employees pay a monthly cost-sharing amount equal to 15% of the railroad’s monthly premium for off-duty injury and illness, dental and vision coverage. Presently, the employee cost-sharing contribution is over \$2,050 annually. Also unique to the railroad industry, there is a single premium payment per employee; no distinction is made in the premium value between the single employee, the one married with no other dependents and the employee with a spouse and dependents. This mechanism permits a more precise adjustment of premiums year to year and acts as a strong incentive and reminder to employee and employer alike of the cost and value of the benefits provided.

Additionally, railroad employees have sacrificed wage increases to preserve medical benefits under the National Plan. As an example, in 2001, over 30,000 employees represented by the Brotherhood of Maintenance of Way Employees ratified an agreement that diverted up to half of their scheduled wage increases to defray the increased cost of health insurance premiums.

The benefits for rail employees are designed specifically for the complex system of statutory and collectively bargained rules governing rail workers. For example, prior to the reduction in retirement age effected by Railroad Retirement Survivor’s Improvement Act of 2001, railroad employees could retire with an unreduced annuity at age 62 and 360 months’ compensated service in the industry. Those employees, however, were not eligible for Medicare coverage until they are at least age 65. Consequently, rail labor and rail management negotiated insurance coverage that provides major medical and prescription drug coverage to those retirees, their spouses and dependents until the retiree becomes Medicare eligible. When the Railroad Retirement Survivor’s Improvement Act of 2001 reduced the minimum retirement age to 60, the parties negotiated an amendment to the insurance coverage providing a bridge from age 60 to Medicare coverage to correspond to the change in federal law.

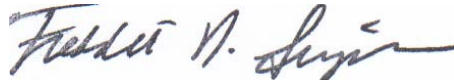
On duty injury coverage also is unique to the railroad industry. Railroads do not participate in state workers’ compensation programs. Instead, personal injuries and occupational illnesses are handled under the Federal Employers’ Liability Act (FELA). An injured or sick employee cannot seek coverage under a state workers’ compensation program; instead, they rely upon the collectively bargained health insurance benefits available under the National Plan. Those benefits provide coverage to the employee for a minimum of 24 months following the date of injury or illness if the employee cannot continue working.

We understand that two proposals to tax health benefits have been discussed – taxing health benefits above a certain level as income to an employee, and eliminating or capping an employer’s ability to deduct amounts paid for health insurance. Both these proposals would throw into chaos the entire system of benefits, wages and working conditions that prevail in the rail industry.

We urge in the strongest possible terms that both proposals be rejected. We strongly support the effort to reform the health care system by providing additional options for individuals, covering the uninsured and controlling costs. It would be tragic if these efforts resulted in the destruction of the system in the rail industry which achieves all the objectives of health reform – full funding, controlled cost, and comprehensive benefits.

We would be happy to discuss this further with you if that would be helpful.

Sincerely,

A handwritten signature in dark ink, appearing to read "Freddie N. Simpson", with a stylized flourish at the end.

Freddie N. Simpson
President

cc: Members of the Senate Committee on
Health, Education, Labor, and Pensions
United States Senate