

AARP Employees' Health Care Costs Going Up, Despite AARP-Endorsed Health Care Overhaul

Written by Grassley Press

Monday, 08 November 2010 15:41

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Friday, November 05, 2010

Sen. Chuck Grassley, ranking member of the Finance Committee, with jurisdiction over key federal health care programs, made the following comment on a news report that health care costs will go up for AARP employees.

"AARP supported a partisan health care overhaul that cut Medicare by almost \$500 billion. That will result in less choice, fewer benefits and decreased access to care for millions of its members. But now we hear that AARP's members aren't the only ones who will bear the brunt of the new health care law. Like companies across the country, AARP is shifting more costs onto employees in reaction to the health care overhaul. Despite their employer's support, AARP employees are learning that the health care law is not going to address the top priority of making health care coverage less expensive. Supporters of the law tend to have tunnel vision and focus on how it will affect narrow groups of people, rather than recognizing that most people will just end up paying more. But the big picture is clear. Employers and employees nationwide will pay more for health care because of the new law."

A news article from the Associated Press follows.

Citing health overhaul, AARP hikes employee costs

By RICARDO ALONSO-ZALDIVAR, Associated Press Ricardo Alonso-zaldivar, Associated Press 2 hrs 52 mins ago

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WASHINGTON – AARP's endorsement helped secure passage of President Barack Obama's health care overhaul. Now the seniors' lobby is telling its employees their insurance costs will rise partly as a result of the law.

In an e-mail to employees, AARP says health care premiums will increase by 8 percent to 13 percent next year because of rapidly rising medical costs.

And AARP adds that it's changing copayments and deductibles to avoid a 40 percent tax on high-cost health plans that takes effect in 2018 under the law. Aerospace giant Boeing also has cited the tax in asking its workers to pay more. Shifting costs to employees lowers the value of a health care plan and acts like an escape hatch from the tax.

"Most plan co-pays and deductibles have been modified," Jennifer Hodges, AARP's director of compensation and benefits, wrote employees in an Oct. 25 e-mail. "Plan value changes were necessary not only from a cost management standpoint but also to ensure that AARP's plans fall below the threshold for high-cost group plans under health care reform."

AARP officials said medical inflation is the main reason employee costs will be going up. The health care law is "a small part," said David Certner, legislative affairs director.

Although the tax on so-called "Cadillac" health care plans doesn't take effect for years, employers are already beginning to assess their potential exposure because it is hefty: at 40 percent of the value above \$10,200 for individual coverage and \$27,500 for a family plan. The tax is intended as a savings measure, to prod employers and workers into more cost-efficient plans.

Certner said AARP's plans are currently under the threshold for the tax. "We intend to stay below those thresholds," he said. "It's not in anybody's interest to move above those thresholds, not the employees' nor the employer's."

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AARP officials say the organization's public policy recommendations are made independently of other considerations, including its range of business ventures, from travel, to insurance, to publishing.

The 40 million-strong AARP represents people 50 and older, including retirees on Medicare and Social Security. Its endorsement of health care overhaul came at a critical time last year, days before a close vote on the House floor.

"The impact on AARP employees is not a factor at all in our policy making, which is directed at the impact on our membership and on all older Americans," said Certner.

About 4,500 people are covered by AARP's plans, including employees, dependents and retirees.

"We supported the (health care) package because it contained incredibly important protections for our younger members, who often have problems getting access to care," said spokesman Jim Dau. "And because it helps our older members in Medicare with important new benefits."

Starting in 2014, the overhaul law prohibits insurance companies from turning down people with medical problems, and limits what they can charge older customers. It gradually closes the coverage gap in the Medicare prescription benefit, and improves coverage for preventive care.

The Obama administration says changes required by the law so far have only had a minimal, single-digit impact on premiums. Many benefits experts agree with that assessment but point out that the increases come on top of untamed health care inflation.

AARP warned its employees that more cost-shifting could be in store. "AARP intends to make similar changes, as necessary, in the future to avoid the (health plan) tax," said Hodges' e-mail.

Current forecasts are that the overhaul will only have a small impact on job-based coverage,

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slightly reducing the number of people who would otherwise be covered by employer plans. Those workers would have access to taxpayer-subsidized coverage through new insurance markets.

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