

# US agency OKs slashing of health benefits for over-65 retirees

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Using the slow period between Christmas and New Year's as cover, the US federal agency charged with enforcing laws against discrimination issued a controversial new ruling that allows employer and union-run health-care plans to reduce costs by slashing or totally eliminating benefits for retirees once they turn 65.

The ruling by the Equal Employment Opportunities Commission affects some 10 million American retirees who rely on health plans sponsored by their former employers. It marks a significant step in further shifting the burden imposed by spiraling health-care costs from the corporations to working people.

In reporting the ruling, the *New York Times* Thursday cited a study by the Kaiser Family Foundation showing that premiums for employer-run health insurance have risen by 78 percent since 2001.

Wednesday's announcement of the new ruling follows a lengthy court battle over the issue. In 2000, the US Court of Appeals for the 3rd Circuit in Philadelphia held that the 1967 Age Discrimination in Employment Act barred employers from spending less on health benefits for older retirees than for younger ones.

It has long been common practice for employer-run health plans to factor in benefits available to those over 65 under Medicare, often providing supplemental benefits to make up for costs not covered by this government-run program. The 2000 ruling would have compelled health care plan administrators to demonstrate that the benefits—taking Medicare into account—were equal for those over and under 65.

In 2004, after the EEOC first attempted to issue a ruling that exempted employer-run retiree health plans from the age discrimination act, AARP (American Association for Retired People) took the agency to

court, charging that the action flouted the anti-discrimination law.

The same appeals court reversed the thrust of its earlier decision, ruling last June that the EEOC could issue an exemption on the grounds that a strict reading of the age discrimination act would run counter to "public interest."

"We recognize with some dismay that the proposed exemption may allow employers to reduce health benefits to retirees over the age of 65 while maintaining greater benefits for younger retirees," the court declared, but nonetheless found that the exemption represented a "proper exercise" of the EEOC's authority.

EEOC Chairwoman Naomi Earp issued a statement in defense of the agency's ruling, claiming that by opening the door to the slashing of retiree benefits, the EEOC was protecting retirees. "Implementation of this rule is welcome news for America's retirees, whether young or old," she said. "By this action, the EEOC seeks to preserve and protect employer-provided retiree health benefits, which are increasingly less available and less generous."

The logic underlying this Orwellian statement is that, without the exemption, employers would scrap retiree health benefits altogether. As it is today, only one out of every three large US companies—and one out of ten small ones—provide such benefits. This compares to about 70 percent of US companies offering such benefits in the 1980s.

"Employers are not legally obligated to provide retiree health benefits, and many do not," the EEOC noted. Its new rule states that retirees' health benefits may be "altered, reduced or eliminated" once they are eligible for Medicare.

The agency continued: "In order to ensure that all

retirees have access to some health care coverage, the ADEA will not prohibit employers and unions from providing retiree health coverage only to those retirees who are not yet eligible for Medicare. They also may supplement a retiree's Medicare coverage without having to demonstrate that the coverage is identical to that of non-Medicare eligible retirees." In other words, the ruling provides explicit approval for the creation of two-tier retiree health plans in which older retirees would be forced to accept inferior benefits.

AARP denounced the action. "This rule gives employers free rein to use age as a basis for reducing or eliminating health-care benefits for retirees 65 and older," the group's lawyer, Christopher Mackaronis, told the *Times*. "Ten million people could be affected—adversely affected—by the rule."

The EEOC statement on the ruling repeatedly cited the support for the agency's reactionary measure from "labor unions." The unions, the agency said, had expressed the opinion that any attempt to enforce the age discrimination act would only provide "an additional incentive to reduce or eliminate employer-sponsored retiree health benefits."

Gerald Shea, assistant to AFL-CIO President John Sweeney, told the *Times*: "Given the enormous cost pressures on employer-sponsored health benefits, we support the flexibility reflected in the rule as a way to maximize our ability to maintain comprehensive coverage for active and retired workers."

Aside from the American labor bureaucracy's concern about providing US corporations the "flexibility" to boost profits by slashing the benefits of retired workers, the unions have a far more immediate interest in the new ruling.

Most private sector unions run the health plans covering retirees, and therefore the bureaucracy has a direct—and often thoroughly corrupt—stake in the "flexibility" provided by the EEOC decision.

These union-run health insurance funds provide the union officialdom with the ability to hand out patronage jobs to friends and relatives, obtain second careers for themselves and receive perks and, not infrequently, direct kickbacks from health-care providers.

The latest union to join this racket is the United Auto Workers. As a result of concessions agreements negotiated with the Big Three US automakers earlier

this year, the UAW has become the largest provider of health-care benefits in America, outside of the US government.

Under the sellout contracts with GM, Chrysler and Ford, the UAW has been given control over an underfunded health-care trust known as the Voluntary Employees' Beneficiary Association (VEBA).

With the Big Three having provided funding that accounts for barely half of their health-care liabilities—and thereby writing off tens of billions in obligations—the UAW has essentially been handed a huge pile of cash—an estimated \$54.4 billion—along with the job of sharply slashing benefits.

The EEOC ruling provides the UAW, as well as other unions, with another instrument for cutting benefits and jacking up costs for the workers on second-rate health-care plans, while boosting the already considerable income of the bureaucrats and their associates.



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