

# Detroit moves to force retirees onto Obama health care exchanges

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Detroit Emergency Manager Kevyn Orr is proposing to slash retiree health care costs by forcing them off city-run coverage and into either Medicare or the insurance exchanges operating under the Obama health care bill. The move marks the latest assault on the social rights of municipal workers following the Detroit bankruptcy filing earlier this month.

According to a report Monday in the *New York Times*, the city aims to drastically reduce the \$5.7 billion owed to retirees in health care benefits by pushing those 65 and older onto Medicare, and dumping those too young to qualify for the government-run program into the new insurance markets. Of Detroit's 21,000 retirees, some 7,500 of them are younger than 65.

President Obama has rejected any federal rescue package for Detroit and tacitly supports the decision of Orr and Michigan Governor Rick Snyder to throw Detroit into bankruptcy. The latest proposal to ravage the health benefits of Detroit retirees is being eyed by other municipalities as a model for slashing costs. A number of cities and towns across the country facing underfunded retiree health care costs, some of them under bankruptcy protection, are already taking similar steps to gut retiree health benefits. These include smaller cities such as Stockton, California, and Harrisburg, Pennsylvania, as well large municipalities such as Chicago.

The move to shift Detroit retirees onto the health care exchanges exposes the reactionary character of Obama's Affordable Care Act (ACA), whose chief aim is to cut costs for the government and corporations while boosting the profits of the private insurers selling premiums on the new "marketplace." Beginning in January 2014, individuals and families without health benefits—either through their employer or a government-

run program such as Medicare or Medicaid—will be required to purchase coverage or face a penalty. The exchanges are scheduled to open for business this October in every US state.

Many city officials are applauding the move to shift retirees to the ACA as a "win-win" for municipal governments and retirees alike. The *Times* quotes Neil Bomberg, a program director of the National League of Cities, who states, "The Affordable Care Act does change the possibilities here dramatically. It offers a very high-quality, potentially very affordable way to get people into health care without the burden falling back onto the city and town." In reality, the claim that the health benefits available to Detroit retirees on the exchanges will approach the quality and affordability of their current benefits is entirely fraudulent.

According to Detroit officials, current retiree plans cover 80 to 100 percent of health care costs. Many Detroit retirees pay only \$20 for prescriptions and \$10 co-pays to see a doctor. Workers who have labored for decades on the city workforce—many of them because they expected these benefits in retirement—will be in for a shock when they are forced to shop for coverage from private insurers on the exchanges set up under the ACA.

Policies offered on the exchanges will be required to include 10 categories of benefits—including hospitalizations, prescription drugs and emergency services—but many plans will cover only 60 to 70 percent of medical costs on average. Premiums on the exchanges will vary widely and there will be little meaningful oversight on what private insurers can charge.

People earning up to 400 percent of the poverty level will receive federal subsidies to purchase coverage. For 2013, 400 percent of the poverty level is \$45,960 for an

individual; \$62,040 for a two-person household. Detroit has also supposedly offered to provide an unspecified monthly stipend to retirees to subsidize the purchase of coverage.

According to the Associated Press, the current average annual pension payment for Detroit municipal retirees is about \$19,000. Retired firefighters and police officers receive an average of \$30,000. In anticipation of their pensions, many city workers have not paid into Social Security, which means that their pension checks are their only source of income in retirement. Already inadequate, these pension averages stand to be greatly reduced as a result of the draconian cuts now being proposed in connection with the bankruptcy.

According to calculations by the Kaiser Family Foundation, a 60-year-old, single retired Detroit firefighter with an income of \$30,500 in 2014 could expect to pay \$2,592 of the annual \$8,191 premium for a mid-range “silver” plan, or \$216 a month. The typical enrollee would be covered for only 70 percent of medical costs, and could pay out-of-pocket expenses of as much as \$6,350. This retiree could thus pay a total of \$8,942 in annual medical expenses, *or nearly 30 percent of his or her retirement income*. The clear implication is that such an individual would either be plunged into debt or personal bankruptcy, or be forced to choose between paying for medical care or other vital necessities.

In Chicago, according to a plan announced by the city in May, some of the city’s 11,800 retirees and their family members not eligible for Medicare would be phased out of city health care coverage by 2017. Many of these people will be forced onto the ACA’s exchanges. Under Mayor Rahm Emanuel, Obama’s former chief of staff, the city aims to slash \$155 million to \$175 million from retiree health care costs by 2017. A group of retirees is suing Chicago over this effort to rob workers of the health care benefits they were promised as city workers.

The Obama administration has made clear that it opposes any federal rescue package for Detroit, and that the government will provide no federal funds to halt the attacks on public-sector workers and social services in cities across the country. The president who bailed out the banks and auto companies to the tune of trillions of dollars will not offer a penny to bail out Detroit. Obama’s treasury secretary, Jack Lew, made

this clear in comments on television Sunday. “When it comes to the questions between Detroit and its creditors,” Lew said, “that’s really something that Detroit is going to work out with its creditors.”

The health care exchanges set up under the Affordable Care Act offer nothing progressive for American working families. While funneling billions into the coffers of the private insurance companies, city officials now propose to use the exchanges as a bludgeon against the hard-won health care benefits of retirees in Detroit and elsewhere.



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