Detroit emergency manager eliminates retiree health care benefits

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Nearly 20,000 retired municipal workers in Detroit, Michigan will see their city-paid health care benefits disappear starting on January 1, 2014, according to a budget-cutting plan being implemented by Emergency Manager Kevyn Orr.

Retirees under 65 will be forced to buy coverage from private insurance companies in the exchanges set up under the Obama health care plan. Those over 65 will be transferred to the federal Medicare system and will be responsible for all deductibles and secondary insurance coverage.

City officials have sent out letters to about 8,000 retirees under 65 informing them that they will no longer receive the $605 per month health care coverage, which the city has provided individuals, and the $1,834 monthly benefit for families. Instead the city will provide younger retirees with a $125 monthly stipend to purchase health insurance. To add insult to injury, this derisory sum will be treated as taxable income.

In addition, the city will no longer subsidize dental and vision coverage as of January 2014 for all retirees, forcing them to pay the full cost of this insurance. These cuts, coming on top of planned reductions in pensions, will have a devastating impact on tens of thousands of people in Detroit who rely on the fixed incomes of retired workers earning less than $20,000 a year in pension benefits. The cuts will contribute to the early deaths of hundreds if not thousands of former workers who cannot afford private coverage.

The Detroit Retirees Committees, which represents former municipal employees in the bankruptcy court, denounced these cuts as “draconian, inhumane and unprecedented.”

“This action seeks to reduce health care-related payments to retirees by more than 80 percent and would eliminate all health care benefits for the 8,000 retirees who are not eligible for Medicare, only providing them with $125 per month to purchase far inferior coverage,” said Committee chairperson Terri Renshaw. “Worse still, this payment is only for retirees. There is nothing for spouses or dependents.”

The committee also said Medicare-eligible retirees could see deductibles rise $500 and prescription drug costs increase 200 percent to 1000 percent, depending on the medicine, according to the *Detroit News*.

The emergency manager’s office said the cuts would reduce the city’s annual retiree health insurance costs from $170 million to $50 million or less. In a statement, Orr cynically added, “Our goal has always been to provide quality coverage that the City can reasonably afford, and we have done that.”

Cutbacks are also hitting the city’s 10,000 current employees. According to the *Detroit News*, these workers will see individual deductibles nearly quadruple from $200 annually to $750. Employees with families on the city’s insurance, the newspaper reported, will see maximum annual out-of-pocket expenses rise 50 percent from $3,000 to $4,500.

The moves were unilaterally imposed by Orr who, under the state’s anti-democratic emergency manager law, has virtual dictatorial powers to tear up labor agreements, slash city services and sell off public assets to pay back the Wall Street banks and big bondholders that control the Detroit’s debt.

The unions, which bargain for the city’s 28,500 current and retired workers, including the largest, the American Federation of State, County and Municipal Employees (AFSCME), made it clear they would do nothing to oppose this attack. AFSCME and the other unions have long collaborated with the Democratic-run city administration in slashing the wages and benefits of municipal workers. Their major preoccupation was to seek a deal with Orr that would give the unions control of the money owed to retirees, similar to the multi-billiondollar retiree health care trust fund handed to the United Auto Workers union in exchange for its help in slashing the wages of General Motors and Chrysler workers.

AFSCME Council 25 official Ed McNeil responded to the destruction of retiree benefits by meekly complaining that the $125 a month stipend was “not going to get you much of anything.”

The slashing of retiree benefits is part of the attack Orr and the bankruptcy court is preparing on city workers’ pensions. Defining pensions as another “unsecured debt,” Orr has threatened to pay only pennies on the dollar for the billions in unfunded pension obligations owed to retirees and their dependents.

In addition, Orr has outlined a plan for restructuring the city that includes the privatization of garbage collection, public lighting and other essential services, and the selloff of the cultural treasures contained in the Detroit Institute of Arts. Meanwhile, hundreds of millions in public funds are going to law firms, consultants and the redevelopment plans of local billionaires like Mike Ilitch and Dan Gilbert.

Orr, an unelected official installed by the state’s Republican governor, was a bankruptcy lawyer during the 2009 auto industry restructuring and helped the Obama administration slash the wages and so-called legacy costs of Detroit automakers. Dumping retiree health care obligations has enabled Chrysler, GM and Ford to make billions in profits.

By backing Orr’s bankruptcy filing, the White House is now seeking to use Detroit as a model for sweeping attacks on the pensions, medical benefits and wages of tens of millions of federal, state and municipal employees throughout the country.

In this process, the real character of Obama’s health care “reform” is being exposed for what it is: a measure aimed at eliminating employer paid health benefits and forcing current and retired workers to pay for cut rate private insurance plans.