Coastal Watch

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LEGISLATIVE UPDATE

H.R. 147: To amend title II of the Social Security Act to repeal the Government pension offset and windfall elimination provisions with 315 co-sponsors. Nine representatives from N. Carolina including Rep. Jones are co-sponors. The Senate bill (S.619) has 25 co-sponsors, none from N. Carolina.

H.R. 994: Premium Conversion will allow Federal civilian and military retirees to pay health insurance premiums on a pretax basis has 319 cosponsors including Rep. Jones. The Senate bill (S.484) has 60 cosponsors. Both Sen. Dole and Sen Burr are cosponsors of this bill.

RETIREMENT FUND TAPPED TO AVOID NATIONAL DEBT LIMIT

The Treasury Department has started drawing from the civil service pension fund to avoid hitting the $8.2 trillion national debt limit. The move to tap the pension fund February's decision to suspend investments in a retirement savings plan held by government employees.

In a letter to Congress, Treasury Secretary John W. Snow said he would rely on the Civil Service Retirement and Disability Fund to avoid bumping up against the statutory debt limit. He said the Treasury is suspending investments and will redeem a portion of the money credited to the fund.

Once Congress raises the debt limit, the Treasury will "restore all due interest and principal" to the pension fund as soon as possible, Snow said. He made a similar promise when the Treasury announced that reinvestment of some assets in the Thrift Savings Plan's government securities fund, or G Fund, had been suspended.

The civil service trust fund will provide the Treasury with several billion dollars for extra borrowing. The fund had an estimated balance of about $655 billion at the start of the year, but only a small portion of that is available to the Treasury because of the statutes restricting the fund's use during "debt issuance suspension" periods. The G Fund has assets of about $65.3 billion, and all are available for Treasury's use.

The Treasury has leaned on federal employee retirement funds in past years when officials worried about a possible default on the national debt, and most federal employees take it in stride. Still, many employees object to the financial maneuvers, arguing that they amount to a raid on their personal accounts.

Colleen M. Kelley , president of the National Treasury Employees Union, said last month that federal employees should not have their pension accounts "used as a rainy day fund. . . . No private-sector employer would ever be allowed to do this."

Snow wrote to Congress that his maneuvers will buy time until mid-March and urged lawmakers "to pass a debt limit increase immediately." He said the Treasury "has now taken all prudent and legal actions to avoid reaching the statutory debt limit." *(Washington Post, Stephen Barr, March 8, 2006)*

MORE DRUGS SHIFTING TO HIGHER COPAYS

On March 30, the DoD Beneficiary Advisory Panel (BAP) met to review proposals to move certain medications for overactive bladder, hypertension, and neuropathic pain from the $9 copayment category to the list of $22 "third tier" drugs.

The BAP concurred with the pharmacy panel's recommendation to move Detrol, Oxytrol, and Sanctura, used for treatment of overactive bladders, to the third tier. Several other equally effective but less costly drugs would remain available for the $9 copay. The beneficiary panel recommended a 120-day implementation delay -- rather than the 60 days recommended by the pharmacy panel - to ensure notification of beneficiaries taking those drugs.

Over the objections of MOAA's CDR John Class (USN-Ret), the BAP concurred with moving Lexxel and Tarka -- combination drugs used to treat high blood pressure - to the third tier. That change would leave Lotrel as the only $9 combination drug for high blood pressure. When a combination of drugs is needed for this purpose, doctors usually prescribe the two pills separately until a patient's dose is properly regulated and then switch them to the combination drug, so they only have to take one pill. Unfortunately, one of the component drugs in Lotrel is not in the DoD formulary, so physicians will be discouraged from prescribing it. The practical effect of the approved plan would be to remove all three combination drugs from the formulary. MOAA thinks that's not fair.

The panel also recommended moving Lyrica (for neuropathic pain) to the third tier. Two similar drugs (Gabapentin and Gabitril) will remain on the formulary.

The panel's recommendations will be submitted to Dr. Winkenwerder, Director of the TRICARE Management Activity, for a final decision, but we expect the changes to be approved. *(MOAA Update 04/07/06)*

NARFE LEGISLATION UPDATE

The House Budget Committee on March 29th, marked up the House fiscal year 2007 budget resolution containing a provision to trim mandatory spending programs (entitlements) while holding the line on discretionary spending. The House budget resolution, passed by a party-line committee vote of 22-17, endorses the President's $873 billion discretionary spending cap, but rejects his proposal to reduce entitlement programs, such as Medicare, by $65 billion. Instead, the House budget resolution calls for a total of $6.8 billion to be trimmed from mandatory programs. The House

The Senate budget resolution (Senate Concurrent Resolution 83, which passed earlier on a vote of 51-49 on March 16th), does not include any spending reductions for entitlement programs. The real fight on the next fiscal year's budget will come when a House-Senate conference, attempts to resolve the major differences between the chambers.

Reports of NARFE members' Lobby Week meetings with Members of Congress are being received in headquarters. Defense of our earned benefits was stressed by NARFE leaders in every region. Many report Senators and Representatives totally unaware of the provision in the Bush Administration's fiscal 2007 budget calling for savings of $3.4 billion over ten years in the FEHBP by enlarging Health Savings Account options. These NARFE activists educated their congressional delegations and made it abundantly clear that NARFE is unalterably opposed to the Administration's FEHBP-HSA proposal. Premium Conversion bills, S. 484 and H.R. 994, have both added new cosponsors, as have S. 619 and H.R. 147, bills to repeal the Social Security Government Pension Offset and Windfall Elimination Provision. *(NARFE LEGISLATIVE UPDATE 30 MARCH)*

BUDGET COMMITTEE FLIP-FLOPS ON FEES

The House Budget Committee began work on the FY2007 Budget Resolution on Wednesday and wasted no time in sending mixed messages on military and veterans' health care.

The Committee quickly approved an amendment that restored $795 million to the VA's health care budget, as requested by Veterans Affairs Committee Chairman Steve Buyer (R-IN). This restores the money cut from the budget by the Administration on the assumption that the VA would begin charging certain nondisabled veterans a $250 enrollment fee for VA care.

But the Committee rejected Rep. Chet Edwards' (D-TX) amendment to restore $735 million to the TRICARE budget for the same purpose. Rep. Edwards, who has introduced H.R. 4949 to stop the TRICARE fee increases, released a statement saying, "I made every effort to solicit bipartisan support for my amendment but the House Republican leadership chose to oppose it, so the vote was 15 Democrats for it and 22 Republicans against it."

MOAA was perplexed by the vote, since Armed Services Committee Chairman Duncan Hunter and Ranking Minority Member Ike Skelton had written a joint letter to the Budget Committee earlier this month asking the Budget Committee to restore the funds.

When we inquired why the majority on the Committee had opposed it, the informal response was that they thought that the defense budget could make up the shortfall and absorb the $735 million more easily than the VA budget could absorb $795 million.

We're troubled by this response, which fails to acknowledge Chairman Hunter's strong view that the Defense budget already is too small to meet current needs. *(MOAA UPDATE 31 MARCH)*

FEDERAL TAXATION OF ANNUITIES

For years, legislation has been introduced in the House of Representatives that would give federal retirees a tax exemption equal to the maximum Social Security retirement benefit ($23,268 for tax year 2005 for a single individual). Married couples filing jointly could exclude one and one-half times that amount, or $34,902, while married couples filing separately would be able to exclude $17,451 each. These amounts would be reduced by any actual Social Security benefits excludable from the taxpayer's gross income.

The income limits that determine whether 50% ($25,000 for an individual and $32,000 for a couple) or 85% ($34,000 for an individual; $44,000 for a couple), of the Social Security benefits are taxed would also apply to public pension exclusions.

NARFE has long sought enactment of various bills to provide public pension parity tax relief. We are seeking an interested, majority member from the House Ways and Means Committee as a sponsor of such legislation in the 109th Congress. In addition, NARFE advocates indexing the income levels above which Social Security benefits are taxed. *(NARFE Position Paper)*