

Employers' Coalition on Medicare

April 9, 2004

Letter of Comment No: 19
File Reference: FSPFAS106B

Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Re: Proposed FSP FAS 106-b: Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003.

Dear Sir or Madam:

These comments are submitted on behalf of The Employers' Coalition on Medicare ("the Coalition") in response to the Financial Accounting Standards Board Staff Position (FSP) 106-b, concerning the accounting and disclosure requirements related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003 ("the Act"). We understand that you may not have referred to other options available to employers under the new legislation because these additional options would involve an amendment to an employer's existing retiree health plan, and current FASB guidance already addresses how employers are to account for changes in liability when plan amendments are made. Nonetheless, we believe the guidance on the recently enacted employer subsidy should recognize that the same legislation explicitly provides employers other options on how their retiree health plans may be structured in the future in the context of the new Medicare Part D plans and should refer to the specific guidance employers should follow if they elect to follow one of the options available to them other than the 28 percent subsidy.

The Employers' Coalition on Medicare is a group of 41 companies and 17 associations which represents employer interests and supports access to quality health care and prescription drugs for Medicare beneficiaries. Today, employers voluntarily provide health benefits to one-third of the nation's Medicare beneficiaries. Employer sponsored health plans supplement the benefits that Medicare beneficiaries receive through Medicare, and a large part of that coverage is for outpatient prescription drugs. Cooperation between the Medicare program and employers

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combine the purchasing power of Medicare with the experience, credibility and leadership offered by private sector employers.

The Employer's Coalition on Medicare is concerned with the proposed scope of guidance in the FASB staff position 106-b. Specifically, the scope of FAS 106-b provides guidance related to the accounting for the subsidy applicable "only to the sponsor of a single-employer defined benefit postretirement health care plan for which (a) the employer has concluded that prescription drug benefits available under the plan are "actuarially equivalent" and thus qualify for the subsidy under the Act and (b) the expected subsidy will offset or reduce the employer's share of the costs of postretirement prescription drug coverage provided by the plan." The FSP also provides guidance relating to the "disclosures about the effects of the subsidy for employers that sponsor postretirement health care benefit plans that provide prescription drug coverage but for which the employer has not yet determined actuarial equivalency."

As you are aware, the Act as signed into law is not limited to the new employer subsidy option. Indeed, the Act does not preclude a part D eligible individual who is covered under employment-based retiree health coverage from enrolling in a prescription drug plan or in an MA-PD plan.¹ In addition, the Act does not preclude employment-based retiree health coverage or an employer or other person from paying all or any portion of any premium required for coverage under a prescription drug plan or MA-PD plan on behalf of such an individual.² Nor does the Act prevent employment-based retiree health coverage from providing coverage that is better than standard prescription drug coverage to retirees who are covered under a qualified retiree prescription drug plan or that is supplemental to the benefits provided under a prescription drug plan or an MA-PD plan, including benefits to retirees who are not covered under a qualified retiree prescription drug plan but who are enrolled in such a prescription drug plan or MA-PD plan.³ Finally, the Act does not prevent employers from providing for flexibility in benefit design and pharmacy access provisions, without regard to the requirements for basic prescription drug coverage, so long as certain actuarial equivalence requirements are met.⁴ Many of these options, except the direct subsidy, are available to employer plans that offer retirees with additional benefits.

However we believe that FAS 106-b should recognize all options in the guidance to employers on the accounting for the effects of the Medicare Prescription Drug, Improvement and Modernization Act of 2003. The Employers' Coalition on Medicare request FAS 106-b be

¹ Medicare Prescription Drug, Improvement, and Modernization Act of 2003, Pub. L. No. 108-173, sec. 1860D-22(a)(6)(A), 60-62 (2004).

² See id at sec. 1860D-22(a)(6)(B).

³ See id at sec. 1860D-22(a)(6)(C).

⁴ See id at sec. 1860D-22(a)(6)(D).

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amended to reflect the aforementioned employer options available to reduce liability, even with a recognition that employers are already aware of the requirements for reporting.

In advance, thank you for your consideration. Please do not hesitate to contact me with questions or concerns.

Sincerely,

A handwritten signature in black ink, appearing to read "Edward J. Kaleta, III". The signature is fluid and cursive, with a large initial "E" and "K".

Edward J. Kaleta, III
Chairman
Employers' Coalition on Medicare