

February 24, 2011

Senator John D. Rockefeller IV  
Chairman  
United States Senate Committee on Commerce, Science  
and Transportation  
Washington, DC 20510

Dear Chairman Rockefeller:

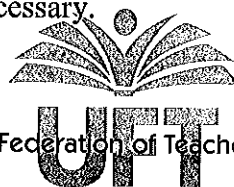
The United Federation of Teachers is a firm supporter of the goals behind the administration's historic legislation on health care. The purpose of this letter is to provide an explanation of the unusual nature of the UFT's Welfare Fund and why we applied for a one-year waiver under the new law.

The UFT Welfare Fund is a trust that provides health benefits that supplement the New York City health plans that are offered to employees of the City of New York. Major medical benefits including hospitalization are part of the city-sponsored health benefit plan chosen by the individual employee. As a supplemental benefit fund, the UFT provides benefits such as prescription drugs, optical, hearing aid, short term disability etc. to our members and their dependents. The Welfare Fund has been providing benefits to UFT members and their dependents for over 45 years and has never refused benefits to members who have exceeded \$100,000 in annual prescription drug costs.

It is important to note that unlike the health insurance plans offered by the City of New York, our trust is funded through a negotiated – and fixed -- contribution that is part of the Collective Bargaining Agreement negotiated by the United Federation of Teachers with the City of New York's Department of Education. Our contribution rates are frozen at this time, as there has not been a new negotiated agreement with the City of New York.

We cannot be considered as a "mini-med" plan which is insurance purchased by employers and which has a premium associated with that type of plan. UFT Welfare Fund members do not pay a premium for their access to our benefits; unlike a standard insurance company that can increase premium to cover any losses, the Welfare Fund has no similar mechanism. Our only recourse would be to reduce or eliminate benefits.

During the month of September 2010 (prior to our plan year commencing October 1, 2010) we enrolled more than 16,000 young adults under the age of 26, as mandated by the legislation. As a fiduciary, it was prudent to apply for the "waiver" which will allow us to have some time to review the utilization and financial impact of this type of increase in membership, on the operation of the Fund. The waiver is granted for only one year and at that time we will be able to better to make the critical decisions necessary.



Local 2 American Federation of Teachers, NYSUT, AFL-CIO



The authors of the Health Care Reform legislation could not possibly consider all of the different types of plans that offer benefits to members and our type of benefit trust is not widely available throughout the country. It was evident to us that the inclusion of a "waiver process" was intentional and its purpose, I believe, was to provide operations like ours a period of time to adjust to any mandates established in the legislation. The UFT Welfare Fund applied for a waiver for exactly that purpose.

I believe that, had the authors of this legislation thoroughly considered the operations and funding of our type of supplemental benefit fund, with no available recourse to recoup any losses created by a mandate, they would have included an alternative approach.

In the meanwhile, the UFT Welfare Fund continues to implement all of the provisions of the PPACA legislation and welcomes the opportunity to offer future input as we move the reform process into the future.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael Mulgrew". The signature is fluid and cursive, with a long horizontal stroke at the end.

Michael Mulgrew  
Chair