

2008 NARFE Presidential Candidate Survey

McCain, Obama Respond to Questionnaire

In letters sent July 14 to Sens. John McCain, R-AZ, and Barack Obama, D-IL, NARFE National President Margaret L. Baptiste requested that they answer identical questionnaires “to solicit the views of presidential candidates from the two major political parties on key issue areas in which NARFE has been involved historically, including: entitlement reform, health care, the Federal Employees Health Benefits Program (FEHBP), and the Social Security Government Pension Offset (GPO) and Windfall Elimination Provision (WEP).”

NARFE does not endorse presidential candidates. The sole purpose of this questionnaire is to better inform the 4.6 million federal employees and annuitants represented by NARFE. President Baptiste urges all NARFE members to vote for the candidates of their choice on Election Day, November 4.

Following are the questions and responses to the 2008 NARFE Presidential Candidate Survey. Responses are listed in alphabetical order.

ISSUE: ENTITLEMENT REFORM

Amid partisan and bipartisan proposals to study entitlement reform, NARFE has historically, if reluctantly, supported shared sacrifice and vigorously opposed being singled out for benefit reductions not required of other retirees. In fact, federal retirees’

cost-of-living adjustments (COLAs) were reduced by \$50 billion during the 1980s and early 1990s, while not a dime was cut from Social Security COLAs.

NARFE: In the context of entitlement reform or deficit reduction, what is your position on COLA equity between Social Security, federal civilian and military retirees?

Sen. McCain: I believe that we have a responsibility to keep our promises to federal retirees, which includes ensuring that we provide adequate cost-of-living adjustments. I am committed to ensuring that federal retirees’ benefits are fair and reasonable.

Sen. Obama: With prices for so many essentials rising so quickly, Barack Obama believes it is critical to have cost-of-living adjustments in all of these programs to ensure that our retirees are

- A Commonwealth Fund survey found that around 90 percent of respondents across all demographics want the next president to propose changes addressing quality, access and affordability of health care. Cost of care topped the list of important issues facing the next president.

- A government rule that you may not be familiar with could cost you. When people with Thrift Savings Plans, 401(k) plans and IRA accounts turn age 70-1/2, they must make a required minimum distribution (RMD). If they do not do so, they face a penalty of 50 percent of the amount that should be withdrawn. You can find your RMD at www.irs.gov/pub/irs-pdf/p590.pdf.

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not seeing their purchasing power eroded by rising prices.

Issue: Future of Social Security and Medicare

Passing into and out of public debate, the two largest entitlement programs, Social Security and Medicare, are vital to all generations of Americans.

NARFE: How do you believe we can best ensure that Social Security and Medicare continue to provide economic and health security for current and future retirees?

Sen. McCain: I will fight to save the future of Social Security, and I believe that we must meet our obligations to the retirees of today and the future without raising taxes. I support supplementing the current Social Security system with personal accounts—but not as a substitute for addressing benefit promises that cannot be kept. I will reach across the aisle, but if the Democrats do not act, I will. No problem is in more need of honesty than the looming financial challenges of entitlement programs. Americans have the right to know the truth, and I will not leave office without fixing the problems that threaten our future prosperity and power.

I believe that we need to control the growing cost of health care to abate skyrocketing Medicare premiums. We must focus research on the care and cure of chronic diseases prevalent among Medicare beneficiaries and hold providers accountable for the very best practices. Medicare reimbursement now rewards institutions and clinicians who provide more and more complex services. Medicare must emphasize rewards to quality, for example, by not paying for preventable medical errors. We need to change the way providers are paid to focus their attention more on chronic disease and managing their treatment. For an aging population this is the most important, and costliest, form of care.

Sen. Obama: Barack Obama believes that Social Security is indispensable to workers and seniors. Although the underlying Social Security system remains strong, the program faces a challenge driven by our changing demographics. Barack Obama believes that we owe it to our most important public program to strengthen it for generations to come without undermining what makes it the most important public program in the first place: a rock solid, guaranteed bedrock of retirement security for ordinary families. Obama



Sen. John McCain



Sen. Barack Obama

does not believe we need to raise the retirement age; he will oppose any attempt to privatize Social Security; and he believes it is critical that middle class families are protected from tax increases or benefit cuts. Instead, Barack Obama would work with members of both parties to ensure that people making over \$250,000 would pay a

little more to help strengthen this program.

Barack Obama is committed to the long-term solvency of Medicare. Yet, Barack Obama also understands that the biggest threat to Medicare's (and Medicaid's) fiscal future is the rapid growth of health care costs that is driving up the cost of these government programs. While some want to deal with this long-term fiscal threat by simply cutting benefits for Medicare and Medicaid, Barack Obama wants to reduce fiscal pressure with a comprehensive plan to reduce health costs throughout our health system while maintaining quality. Barack Obama's health care plan will make aggressive investments in cost-cutting technologies and will place more focus on prevention and chronic care management—the net result will be to bring down the costs of annual health care spending by \$2,500 per family and lower the expense of Medicare's services. Obama will eliminate the subsidies to private HMOs in the Medicare Advantage program, which will save more than \$150 billion over the next decade. In addition, Obama will enact a number of reforms to lower the cost of prescription drugs, including reimportation, allowing Medicare to negotiate for lower prices, and increasing the use of generic drugs in all public health plans. He will use the extra revenue generated from such reforms to work to close the "doughnut hole" in the Medicare Part D Prescription Drug Program.

ISSUE: HEALTH CARE

The Federal Employees Health Benefits Program (FEHBP) is the nation's largest employer-sponsored health plan. Successful since its creation in 1959, the FEHBP covers some eight million workers, retirees and their families. For almost 50 years, this program has been so successful that past and present presidential candidates have proposed using the FEHBP as the model for expanding coverage to the uninsured and under-insured.

Issue: Opening FEHBP to Nonfederal Enrollees

Members of Congress from both sides of the aisle have proposed opening the FEHBP to individuals other than federal workers and retirees. While NARFE does not object to this concept in general, we insist that any proposal to open the FEHBP to the public must include separate risk pools. Separate risk pools are necessary for assessing and adjusting the insurance risk of a new enrollment community. Without the opportunity to study nonfederal enrollees in a separate FEHBP risk pool, the introduction of any new community into the FEHBP could result in unanticipated premium increases.

NARFE: Would you favor having persons outside the federal community made eligible to enroll in the FEHBP? If so, should the new blocs of enrollees be placed in a separate risk pool?

Sen. McCain: I do not favor opening up the FEHBP. Rather, I have proposed a market-based health care plan that would give each family the power to choose the health care plan that works for them. I have also proposed steps to lower costs and make the health care market more competitive—for example, by allowing families to purchase insurance across state lines.

Sen. Obama: Barack Obama's health care plan would maintain the FEHBP's current structure and would not affect its cost structure or benefit package. Instead, the Obama plan will create a new, separate national health exchange that will allow individuals without access to affordable insurance coverage, including the self-employed and small businesses, to buy affordable health coverage that is similar to the plans available through the FEHBP. Individuals and families who do not qualify for Medicaid or SCHIP [State Children's Health Insurance Program] but still need assistance will receive income-related federal subsidies to keep health insurance premiums affordable. They can use the subsidy to buy into the new public plan or purchase a private health care plan.

Under the Obama plan, the benefit package offered in the public plan will be similar to that offered by the FEHBP. Specifically, the new public plan will include coverage of all essential medical services, including preventative, maternity, and mental health care. Moreover, coverage will include disease-management programs, self-management training, and care coordination for appropriate individuals.

Individuals will also be able to purchase separate private insurance as an alternative to, or as a supplement to, the plan's public component. There is no limit on what services these private plans will provide for, but those plans partici-

pating in the National Health Insurance Exchange will assure that every participating insurer provides a common baseline level of benefits that equals those provided by the new public plan.

Issue: Universal Health Care

While NARFE supports access to comprehensive health care for all Americans, we have been troubled by past proposals which, as part of the plan to provide such access, would end the FEHBP and divert the program's funding to a regional or national health care system.

NARFE: Would the FEHBP continue to provide health care coverage to its eight million participants in the program's current form, under your health care reform proposals?

Sen. McCain: My proposal for a \$5,000 refundable tax credit (\$2,500 for individuals) to purchase health insurance would not affect current FEHBP funding.

Sen. Obama: Yes.

Issue: Tax Treatment

During the current presidential campaign, candidates have discussed whether the present tax treatment of employer-sponsored health insurance is fair. Presently, workers and retirees pay no taxes on the share employers pay towards their health insurance premium.

NARFE: Would you make any proposals that would affect the tax treatment of the employer share paid toward employee and retiree health insurance premiums?

Sen. McCain: Under my health care plan, every family would receive a \$5,000 tax credit to purchase health insurance either through their employer or in the private market. The plan would equalize the tax treatment of employer-sponsored and non-employer-sponsored health insurance, but it would not add to your tax bill if you choose to keep your employer-sponsored insurance. Although it is true that the credit would replace the existing deduction, it would more than offset it. For example, if your employer currently provides you with a \$12,000 policy and you are in the 25 percent income tax bracket, you effectively receive \$3,000 from the federal government towards health insurance. Under my plan, you would receive \$5,000. And, if you are unsatisfied with your employer-sponsored plan, you can look for other options and receive the same tax break.

Sen. Obama: Barack Obama would not alter the current favorable tax treatment given for employer contributions towards employee and retiree health insurance premiums. While Sen. McCain's health care plan would eliminate the employer tax exclusion—and thus would impose a tax on em-

employer payments of employee premiums for the first time in history—Barack Obama believes that we should make it easier, not harder, for families to get health care through their employer. Barack Obama believes that removing the preferential tax treatment for employer contributions in the way Sen. McCain has described could cause the current employer-based coverage system to unravel, and it could force millions of people to lose the health care they currently get from their employers.

Barack Obama's health care plan both builds on and improves the current insurance system and leaves Medicare intact for seniors. Americans can keep the coverage they have today and benefit from the \$2,500 reduction in medical costs. Or they could take advantage of expanded choices like a new National Health Insurance Exchange to help people purchase a private insurance plan that is affordable, or a new public health insurance plan similar to the one given federal employees and members of Congress. It will cover all essential medical services—including preventive, maternity, disease management, and mental health care. Costs will be low, but Americans who cannot afford it and do not qualify for Medicaid or SCHIP will receive a subsidy to pay for coverage. The health insurance coverage will be portable among jobs, easy to enroll in and use, and of high quality.

Issue: Affordability

Section 125 of the tax code makes health insurance more affordable by allowing employers, both public and private, to permit their employees to pay their employer-provided health insurance premiums with wages excluded from both income and Social Security payroll taxes. This "premium conversion" benefit was extended to federal workers in 2000, but still is not available to annuitants, as the authority to make premium conversion available to retirees is unclear in the tax code. As a result, retired employees in neither the public nor private sector receive Section 125 premium conversion tax benefits. In recent years, federal annuitants have seen their incomes eroded by double-digit increases in FEHBP premiums and, therefore, could greatly benefit from premium conversion, as could most other retirees.

NARFE: Would you support legislation clarifying Sec. 125 of the tax code to make premium conversion benefits available to federal annuitants (or to all public- and private-sector retirees)?

Would you propose any changes to premium conversion benefits currently available to public- and private-sector workers?

Sen. McCain: As president, I would support wholesale reform of our tax code, which has become so complicated that it costs tens of billions in compliance cost while introducing unneeded uncertainty into the choices and decisions facing American families.

Under my health care plan, I will transform the employer exclusion into a more equitable system to provide American families with a \$5,000 refundable tax credit (\$2,500 for individuals) to keep their current coverage or purchase insurance of their choice. This will greatly benefit all workers. For example, if your employer currently provides you with a \$12,000 policy and you are in the 25 percent income tax bracket, you effectively receive \$3,000 from the federal government towards health insurance. Under my plan, you would receive \$5,000. Furthermore, you will have the ability to investigate other options, including those across state lines that might better fit your unique needs. The insurance will be portable and will follow from "job to job" or "job to home." For the first time those Americans without employer insurance or no insurance at all will receive the same tax benefit as those with employer insurance.

Sen. Obama: Barack Obama is a co-sponsor of S. 773, which would allow federal civilian and military retirees to pay health insurance premiums with pre-tax dollars. This is an issue that Obama would address as president, as part of his comprehensive health care plan that would ensure the affordability and accessibility of health care for all Americans.

Issue: Medicare Payment

The Medicare Modernization Act (MMA) of 2003 included a provision allowing employers who provide retiree prescription drug coverage to apply to The Centers for Medicare & Medicaid Services (CMS) for a Part D subsidy payment. At NARFE's request, Congress specifically clarified in MMA that the federal government—in the same manner as other employers—was eligible to receive subsidies of 28 percent of the cost per enrollee for drug coverage on the condition that the employer-sponsored drug benefits (in this case FEHBP) for Medicare-covered retirees were at least equal to the value of Part D benefits. Medicare payments to the Office of Personnel Management (OPM), unlike to other employers, would not result in new spending under federal budget rules, since they would not be spent outside the government. However, OPM has not chosen to apply for the Medicare employer subsidy, foregoing a \$1 billion-a-year payment, which could be used to lower premiums, enhance plan coverage, and help contain the amount the federal government, as an employer, as well as federal workers

and annuitants pay for FEHBP premiums. NARFE continues to seek White House and congressional assistance for OPM to apply for the subsidy payment.

NARFE: Would you instruct OPM to apply for the Medicare employer subsidy payment for FEHBP?

Sen. McCain: While I believe there is much we must do to reform Part D to improve our fiscal situation, I would consider any reform to assure it provides assistance and access to affordable drug therapies to those who need it in a fiscally responsible manner.

Sen. Obama: As president, Barack Obama will examine this issue as part of a broader review of the Medicare Part D program with the goal of addressing concerns about the employer subsidy structure and ensuring affordable access to prescription drugs for all Americans.

ISSUE: SOCIAL SECURITY OFFSET (GPO & WEP)

There are two provisions of the Social Security Act that have a dire financial effect on many retired public employees. The Government Pension Offset (GPO) affects federal, state and local government employees who retire after 1982 from a job not covered by Social Security by reducing or eliminating their spousal Social Security benefits that ordinarily would be payable. The government retiree's Social Security spousal benefit is reduced by an amount equal to two-thirds of the annuity. The GPO is particularly discriminatory against women with shorter or intermittent public service careers.

Public-service employees who retire after 1985 from jobs not covered by Social Security can have any Social Security

they otherwise earned reduced by as much as 50 percent as a result of the Windfall Elimination Provision (WEP). Female retirees, particularly, are often dealt a double whammy on their planned retirement income by losing Social Security spousal protection due to the GPO, then find they also have their own earned Social Security benefit drastically reduced by the WEP. Both of these offsets are applicable to retirees simply because they spent part of their careers in public service.

NARFE: Would you support legislation to revisit and reform these two offsets, which affect millions of government and public-service retirees?

Sen. McCain: As president, I will seriously consider any reform legislation relating to Government Pension Offset or Windfall Elimination Provision that hits my desk. My primary goal on this front, however, will be comprehensive reform of Social Security on a bipartisan basis to preserve it for future generations.

Sen. Obama: Barack Obama has and will continue to support repealing the WEP and the GPO. He is a cosponsor of the Social Security Fairness Act, which would repeal them both. These provisions severely limit (or completely eliminate) the Social Security income for many retirees who receive a federal pension. No such provisions apply for those who receive private-sector pensions. We have a responsibility to take care of workers who have devoted their lives to public service. We need more of our young people going into public service, not less, and we should not discourage them by telling them we won't be living up to our side of the bargain when they retire. ■

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