
OPINION OF TRUSTEES

In Re

Complainant: UMWA, International Union
Respondent: Employer
ROD Case No: CA-078 - May 3, 2006

Trustees: Micheal W. Buckner, A. Frank Dunham, Michael H. Holland, and
Elliot A. Segal.

The Trustees have reviewed the facts and circumstances of this dispute concerning the provision of benefits under the terms of the Coal Industry Retiree Benefit Act of 1992 (Coal Act) Employer Benefit Plan maintained pursuant to section 9711 of the Internal Revenue Code.

Background Facts

Pursuant to section 9711 of the Coal Industry Retiree Health Benefit Act of 1992, Employers provide comprehensive health benefits, including prescription drug and vision care, to eligible coal mining industry Pensioners and their eligible Dependents. In 2003, Congress enacted the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (“MMA”). Under the MMA, plan sponsors who provide prescription drug coverage to their Medicare-eligible beneficiaries are eligible to receive a retiree drug subsidy from Medicare if, beginning January 1, 2006, the coverage offered is “creditable coverage,” *i.e.*, actuarially equivalent, to the standard prescription drug benefit offered by Medicare under Medicare Part D. The MMA does not, however, require an employer-sponsored plan that provides prescription drug coverage to its Medicare-eligible beneficiaries to continue to do so. Under Medicare Part D, individuals who are eligible for Medicare Part A and Part B and who do not have the option of creditable coverage from a retiree drug plan which qualifies for the Retiree Drug Subsidy, may choose a prescription drug plan provided through a private company.

In general, Medicare Part D requires payment of a monthly premium, a deductible, coinsurance and other graduated payments, coverage of at least two drugs in every drug category, and that certain drugs be excluded from the list of covered drugs provided under the Part D standard plan. An individual receiving Medicare Part D drug coverage may request that the plan grant him or her an “exception,” under which the plan agrees to pay for a drug not otherwise covered by the plan, or appeal the plan’s denial decision. An individual may also enroll in a Medicare Part D prescription drug plan that offers coverage in addition to the standard coverage, generally for a higher premium than the premium for standard Medicare Part D prescription drug coverage. Depending on the prescription drug plan selected, the actuarial value of such plan may be less than the actuarial value of the prescription drug benefit offered under the Coal Act Employer Benefit Plan, the Medicare Part D prescription drug plan may cover fewer drugs than those

covered under the Coal Act Employer Benefit Plan and an individual will have out-of-pocket expenses greater than those required under the Coal Act Employer Benefit Plan.

The Respondent notified Medicare-eligible beneficiaries by letter dated September 30, 2005, that in order to continue to receive coverage under the Respondent's Coal Act Employer Benefit Plan, they must be enrolled in each part of Medicare for which they are eligible. The Respondent also notified its Medicare-eligible beneficiaries that prescription drug coverage would become available under Medicare Part D in January 2006, and that to maintain coverage under the Respondent's Plan each Medicare-eligible beneficiary must enroll in Medicare Part D effective January 1, 2006. The Respondent provided detailed information to its Medicare-eligible beneficiaries on how to enroll in Medicare Part D.

Dispute

Can the Respondent require Medicare-eligible Pensioners and Surviving Spouses to enroll in a Medicare Part D plan and to pay such plan's premiums, deductibles, copayments and other payments as a condition of continuing to receive the prescription drug coverage under the Coal Act Employer Benefit Plan that is not covered by Part D?

Positions of the Parties

Position of the Complainant: The Respondent's unilaterally imposed requirement that Medicare-eligible beneficiaries enroll in Medicare Part D at their own cost is a violation of the Coal Act and the Employer Plan Document for many reasons, including but not limited to the following: 1) There is no authority for the Employer's threat to terminate health care for beneficiaries who do not enroll in Part D; 2) The Part D premium represents a prohibited additional cost; 3) Beneficiaries will be required to pay prohibited up-front costs for Part D copayments and deductibles; 4) Information regarding Part D has been poorly communicated by the employer, making it unreasonable with the likely result that beneficiaries will lose coverage; and 5) The manner in which the employer's formulary program will coordinate with the Part D provider's formulary program will impose prohibited additional costs on beneficiaries.

Position of the Respondent: Medicare-eligible Pensioners and Surviving Spouses are required to enroll in Medicare Part D in order to continue to receive coverage under the Respondent's Coal Act Employer Benefit Plan for the following reasons: 1) All benefits provided by Medicare are excluded from the Coal Act Employer Benefit Plan; 2) In order to receive benefits under the Plan, all beneficiaries must enroll in each part of Medicare for which they are eligible, including Part D; 3) A condition of "enrollment" in Medicare Part D is the payment by the beneficiary of any required monthly premium; and 4) Based on plan provisions and prior Trustee decisions (see RODs 88-650, 88-644, 88-467, 84-516, CA-071 and CA-022), the Respondent is not required to pay benefits under the Plan if a Medicare-eligible beneficiary refuses to enroll in Medicare Part D.

The Respondent also states that beneficiaries will not be required to pay prohibited up-front costs for co-payments and deductibles because the beneficiary will pay the same co-payments and deductibles that he or she paid prior to enrollment in Medicare Part D. Respondent further asserts that “[t]here is no penalty for a beneficiary that elects to use a non-Medicare Part D formulary so long as the pharmacy is participating in the Employer Plan network.” Finally, Respondent contends that it has worked diligently to ensure that the Part D enrollment process can be completed simply and with minimal burden on the beneficiaries.

Pertinent Provisions

Article III. A. (10) (b) of the Coal Act Employer Benefit Plan provides in pertinent part:

(10) General Provisions

(b) Administration

The Plan Administrator is authorized to promulgate rules and regulations to implement and administer the Plan, and such rules and regulations shall be binding upon all persons dealing with the Beneficiaries claiming benefits under this Plan.

* * *

Article III. A. (10) (d) of the Coal Act Employer Benefit Plan provides:

ARTICLE III BENEFITS

A. Health Benefits

(10) General Provisions

* * *

(d) Medicare

For Pensioners, and surviving spouses, the benefits provided under the Plan will not be paid to a Beneficiary otherwise eligible if such Beneficiary is eligible for Hospital Insurance coverage (Part A) of Medicare where a premium is not required and/or Medical Insurance coverage (Part B) of Medicare unless such Beneficiary is enrolled for each part of Medicare for which such Beneficiary is eligible. Any such

Beneficiary who is enrolled in a Medicare program shall receive benefits provided under the Plan only to the extent such benefits are not provided under Medicare.

The Plan Administrator shall give written notification of the obligation to enroll. Failure to provide such notification shall not remove any obligation to enroll.

Article III. A. (11) (a) 3. of the Coal Act Employer Benefit Plan states:

ARTICLE III BENEFITS

A. Health Benefits

(11) General Exclusions

(a) In addition to the specific exclusions otherwise contained in the Plan, benefits are also not provided for the following:

* * *

3. Services furnished by any governmental agency, including benefits provided under Medicaid, Federal Medicare and Federal and State Black Lung Legislation for which a beneficiary is eligible or upon proper application would be eligible.

ARTICLE IV MANAGED CARE, COST CONTAINMENT

A. The Employer may adopt Participating Provider Lists (PPL's) of physicians, hospitals, pharmacies and other providers, provided that any such PPL has been approved for adoption under the Employer's benefit plan maintained pursuant to Article XX (c) (3) (i) of the National Bituminous Coal Wage Agreement of 1993 ("1993 NBCWA"). The Employer may also implement a formulary for prescription drugs; implement a mail-order procedure for prescription drugs, including appropriate limits on quantity and periodic physician review; and subject the prescription drug program to a rigorous review of appropriate use.

B. In addition, the Employer may implement certain other managed care and cost containment rules, which may apply to benefits provided both by PPL

providers and by non-PPL sources, but which (except for the co-payments specifically provided for in the Plan) will not result in a reduction of benefits or additional costs for covered services provided under the Plan.

* * *

Discussion

The Trustees deadlocked on this matter. Trustees Holland and Buckner found for the Complainant. Trustees Dunham and Segal found for the Respondent. Under the ROD procedures approved by the Trustees of the UMWA 1993 Benefit Plan, the matter was referred to a neutral interest arbitrator, Robert E. Nagle, for resolution. The arbitrator was directed to choose one of the two draft opinions proposed by the Trustees. The arbitrator's choice is printed below as the Opinion of the Trustees.

Opinion of the Trustees

The Employers' requirement that their beneficiaries enroll, at the beneficiaries' own cost, in Medicare Part D is a violation of the Coal Act Employer Benefit Plan.