



INTERNATIONAL UNION, UNITED AUTOMOBILE, AEROSPACE & AGRICULTURAL IMPLEMENT WORKERS OF AMERICA – UAW

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Dear Retired UAW-Ford Sisters, Brothers & Surviving Spouses:

As you know, due to cascading losses back in 2006 and especially in North America, Ford was forced to obtain a \$26 billion loan just to be able to stay viable and to fund new products. Many analysts were predicting a Ford bankruptcy in the future. That loan became a huge blessing for all of us at UAW-Ford and helped Ford to avoid bankruptcy when GM & Chrysler had to go through bankruptcy earlier this year.

Another key to Ford avoiding bankruptcy was the 2007 contract which removed retiree health care off of Ford's financial balance sheet and established the UAW-Ford VEBA. While this was very costly to Ford (over \$13 billion), it was necessary for them to try to remain viable as an ongoing business and to avoid bankruptcy.

The UAW agreed to the VEBA because in bankruptcy, our current and future eligible retirees would have been devastated in their health care benefits and could have suffered losses in some of their pension benefits. As a result of the bankruptcy process, UAW-GM and UAW-Chrysler retirees lost dental and vision insurance (they are just now being offered a group plan that they have to pay for themselves). They also lost Medicare Part B coverage which is costing them almost \$80 a month out of their pockets. At UAW-Ford, we have been able to maintain dental, vision, and Medicare Part B coverage for our UAW-Ford retirees.

We maintained these benefits and achieved the best in the industry funding for the UAW-Ford VEBA because of our UAW strategy led by UAW President Gettelfinger to bargain first at Ford in early 2009. If we had waited at Ford until after GM & Chrysler had finished the bankruptcy process, we would have been hit much harder in concessions for both our active and retired UAW-Ford members. It is also very true that our UAW-GM and UAW-Chrysler members (both active and retired) would have suffered much worse concessions if we had not first set the industry pattern at Ford before GM and Chrysler filed bankruptcy.

It is important to remember when judging the UAW that we are in the worst financial crisis faced by the auto industry since the Great Depression. It is almost unimaginable, but true, that we currently have less than 40,000 active UAW-Ford members. With over 120,000 UAW-Ford retirees, that means we have more than three retiree households for each active member! It is also true that until the most recent two quarters, Ford has lost over \$51 billion from 2001 to 2009. In many ways, it is hard to believe that they were able to avoid bankruptcy and were able to stay in business with those magnitudes of losses.

Another unexpected and significant storm that hit us was the 2008 Wall Street crisis or as many call it, the "2008 crash." Unfortunately, the UAW-Ford VEBA Trust Fund was negatively impacted by this 2008 Wall Street "crash." Most investment funds lost 35-40%. The UAW-Ford Internal VEBA and Temporary Asset Account are today about 25% less than they were projected to be because of the Wall Street crisis. This negative financial impact was significant (more than \$2 billion) and unexpected. In order to protect the UAW-Ford VEBA's long term ability to provide the best possible health care coverage for our UAW-Ford retirees, the VEBA trustees are making very limited changes to prescription drug benefits and a minor increase in monthly premiums.

I would like to discuss the OHIO HMO changes that I think are most important to you and our UAW-Ford Ohio retirees.

The UAW VEBA Trust began evaluating the health insurance plans offered to each automotive company's UAW retirees in early 2009. As the cornerstone of this evaluation, the Trust established its plan selection criteria, which were approved by the Trust's Board of Directors. This criterion helped us ensure that the plans that we contracted for 2010 were quality, cost-effective plans and viable alternatives to the Blue Cross Blue Shield Traditional Plan.

To help us measure financial competitiveness, the Trust established premium benchmarks which were adjusted for regional variations in health care costs. Each plan needed to be competitive with these benchmarks in order to be offered by the Trust in 2010. **Within the Ohio region, the premiums proposed by four HMOs were significantly higher than the benchmarks. We provided each HMO ample opportunity to address the cost concern, however, we were unable to reach a viable, competitive compromise on premiums.** The Trust believes in the value of HMO's and was successful in contracting with HMO's in most regions throughout the country.

As stewards of the Trust funding for current and eligible future UAW-Ford retirees, we simply could not contract with plans that were so wildly above benchmarks. **To provide an order of magnitude, one of these Ohio HMO plans were 70% to 80% above the established Ohio benchmarks. In total, the premiums proposed by these Ohio HMOs exceeded benchmarks by \$66 million per year!** To put that figure in perspective, the amount that was in excess of the benchmarks is enough to pay for dental benefits for all 120,000 UAW-Ford retirees in 2010.

Again, the Trust gave the HMO's in question the opportunity to revise their charges to meet the national standards. Some adjusted their charges to meet national standards, others refused, **caring far more about excessive profits than about the welfare of our retirees.**

In areas where the HMO's refused to meet the national benchmarks, the VEBA Trust will continue to look for viable HMO options in those areas.

If your HMO has been dropped by the VEBA for attempting to overcharge the VEBA, please contact your HMO and encourage them to work with the VEBA and to meet the established benchmarks.

Another important way you can help is to actively support the public option in the health care debate going on now. As we see very clearly with some of the HMO's in Ohio who tried to grossly overcharge the VEBA, we need the public option to keep these "for profit" insurance companies honest.

To be VERY clear, the VEBA did not want to drop any HMO's. But the VEBA cannot allow a few HMO's to overcharge the VEBA Fund and jeopardize all retiree benefit levels and the overall VEBA funding.

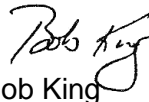
It is also important to remind ourselves that a number of HMO's nationally have been eliminated under the terms of the UAW-Ford, GM, and Chrysler contracts because they did not meet the benchmarks established in our contracts and were too costly. The contract language requiring HMO's and Traditional Plans to be cost competitive has been in our ratified UAW-Ford, GM, & Chrysler contracts since 1961. As a matter of fact, GM eliminated all of the Ohio HMO's back in 2007 negotiations for all members including active and retired. Chrysler also has eliminated most HMO's under the terms of the UAW-Chrysler contract. At UAW-Ford, we were able to maintain HMO's for a longer period of time, however, some of them are getting too costly to maintain any longer for our members.

I would hope with these facts taken into consideration, our UAW-Ford retirees would direct their anger where it should be rather than at their own UAW who has so diligently served them over the years.

The UAW-Ford VEBA remains committed to providing quality, cost-effective alternatives to the Blue Cross Blue Shield Traditional Plan. Currently, the Trust is evaluating potential plan expansions and potential new plans for Ohio with Kaiser Permanente, Medical Mutual of Ohio and Humana. While any expansions will not be in place for January 1, 2010, the Trust remains optimistic that we will be able to work with these companies to provide you with alternatives in the Ohio region in 2010.

I know the loss of the HMO's is especially hard on our younger retirees who are not yet eligible for Medicare. We will continue to push the VEBA Trust to find alternatives that would help our younger retirees as soon as possible.

In solidarity,



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cc: Wendy Fields-Jacobs
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