



Brotherhood of Locomotive Engineers and Trainmen

A Division of the Rail Conference—International Brotherhood of Teamsters

NATIONAL DIVISION

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November 10, 2009

All BLET General Chairmen

Re: 2010 Employee Premium Contribution for Railroad Employees National Health and Welfare Plan

Dear Sirs and Brothers:

The annual rate renewal meeting for the Railroad Employees National Health and Welfare Plan (the "Plan") was held in Washington, D.C., on October 27, 2009, at which time payment rates for 2010 were established. Rail Labor, represented by the Cooperating Railway Labor Organizations ("CRLO") as a Joint Policyholder, participated in the annual rate-setting meeting on an equal footing with the railroads. Based on a post-meeting report from Brother Bob Scardelletti, Chairman of the CRLO, this is to advise you that the cost-sharing amount for 2010 will be \$200.00 per month.

The payment rate for 2010 is increased by a total of \$200.88, to \$1,340.62, as compared to the payment rate for 2009. The increase breaks down to \$30.13 for employees and \$170.75 for the railroads, under the cost-sharing formula set forth in the July 1, 2007 National Agreement. In other words, the railroads will be paying most of the increase.

However, the employee cost-sharing amount — set at 15% of the payment rate — also includes a cap of \$200.00 per month under the 2007 National Agreement, which has been triggered for 2010. It is important to note that the \$200.00 cap will remain in effect in subsequent years until a new National Agreement is reached. As a result of the cap, employees will now be paying slightly less than 15% of the payment rate and the railroads slightly more than 85%.

There are a number of reasons why the payment rate dramatically increased from 2009 to 2010, which are explained below. First, here are the component parts of the payment rate upon which cost-sharing is based:

	<u>2009</u>	<u>2010</u>	<u>Increase</u>
Medical (Including Rx)	\$1,061.46	\$1,261.11	18.8%
Life and AD&D (MetLife)	\$12.30	\$12.30	0.0%
Dental (Aetna)	\$55.98	\$56.96	1.75%
Vision (VSP)	\$10.00	\$10.25	2.5%
Totals	\$1,139.74	\$1,340.62	\$200.88
Employee Contribution (@15%)	\$170.96	\$201.09	\$30.13
Employee Contribution (Capped)	\$170.96	\$200.00	\$29.04

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As the above data illustrate, most of the increase in the payment rate is attributable to the 18.8% increase in the cost of medical benefits. Medical trend, a part of that increase, is based on factors such as increases in the cost of services, as well as the amount of services consumed (e.g., the severity and duration of illnesses, the number of visits to a doctor, outpatient procedures, hospitalizations, length of hospital stay, etc.). The medical trend portion of the 18.8% total increase for medical benefits is about 8%, which is within the normal range for comparable plans in 2009. However, this year there were a number of unexpected intervening factors which added significantly to the increase in costs for the Plan for this period.

First, due to the recession, between 14,000 and 15,000 railroad employees were furloughed in addition to normal seasonal furloughs during 2009. Plan funding is based on a monthly contribution for each active employee, so the furloughs had considerable negative effect on funding. Simply put, if there are fewer active employees, fewer payments are being made to the Plan Trust. As required by the various collective bargaining agreements, furloughed employees have continuation of coverage for at least four months, so the expenses of furloughed employees and their dependents are still being paid by the Plan, even though no payments are being made on their behalf for the second, third and fourth months of coverage.

Although the extension of benefits to furloughed employees was a contributing factor in the rate increase, please keep in mind that we fought hard to attain the furlough coverage extension, and we must remember that it is a critical benefit for our Brothers and Sisters who are laid off seasonally or during economic downturns, and for their families. In addition, thousands of dependents who were previously dropped from coverage during the Dependent Eligibility Audit in 2008 were unexpectedly returned to coverage during 2009, with benefits being paid retroactively, upon presentation of proper documentation. These costs were not factored into the 2009 payment rate.


Finally, the Plan Trust had no surplus funds available from which to offset the payment rate next year. For example, the 2009 payment rate is currently being reduced by \$88.12 each month through the use of surplus funds. Looking back, the offset was \$89.18 in 2008, \$55.91 in 2007, and \$85.03 in 2006. As a result of these and other unexpected factors, any potential surplus funds that might have been used as an offset in 2010 are simply not available. The lack of surplus funds for use in 2010, alone, accounts for over half of the total medical payment rate increase from 2009 to 2010.

In sum, the increase in the payment rate from 2009 to 2010 is largely due to unforeseen factors that arose after the 2009 payment rate had been set. We continue to believe that the implementation of the Nurse Line, Custom Care Coordination, Disease Management, Integrated Behavioral Health, and Wellness Programs (Healthy Weight and Smoking Cessation) programs in 2007 and 2008 will help keep the medical trend at levels that are on par or below similar plans going forward, and we will continue to explore new avenues of controlling Plan costs without sacrificing benefits.

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Trusting you will find this information helpful, and with warmest personal regards, I remain

Fraternally yours,


Acting National President

cc: William C. Walpert, National Secretary-Treasurer
BLET Advisory Board

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