



United States
General Accounting Office
Washington, D.C. 20548

Health, Education and Human Services Division

B-261409

May 25, 1995

The Honorable Thad Cochran
United States Senate

Dear Senator Cochran:

This letter responds to your request for an update on the information we provided on June 30, 1994, to Senator Kent Conrad concerning the United Mine Workers of America (UMWA) Combined Benefit Fund.¹ In that letter we included information about the Fund's beneficiaries, expenses, and revenues.

As you know, the Coal Industry Retiree Health Benefit Act of 1992 established the Fund as of February 1, 1993, by merging two existing UMWA retiree health benefit trusts. The Fund is financed mostly by annual premiums assessed to certain companies, called operators, that signed any coal wage agreement with UMWA in 1988 or prior years and are either (1) still in the coal business or (2) in any other business.

TO WHICH OPERATORS IS THE
BENEFICIARY POPULATION ASSIGNED?

As of October 1, 1994, there were 96,700 beneficiaries, most of whom were assigned among 370 operators, as shown in table 1. Data for the operators that did not sign the 1978 or later National Bituminous Coal Wage Agreement² are shown separately since that agreement contained the so-called "evergreen clause" under which the signatories agreed to contribute to the two previous health benefit trusts as long as they remained in the coal business.

¹See UMWA's Combined Fund Finances (GAO/HEHS-94-201R, June 30, 1994).

²These were collective bargaining agreements that UMWA and the Bituminous Coal Operators' Association, Inc., negotiated periodically concerning wages and other employment benefits.

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Table 1: Assignment of Fund Beneficiaries as of October 1, 1994

Operator type	Number	Beneficiaries
Signed 1988 agreement	89	45,033
Non-1988 agreement signatory and		
Signed 1978 or later agreement	107	20,387
Did not sign 1978 or later agreement	174	6,493
Unassigned		24,787
Total	370	96,700

As of March 31, 1995, the Social Security Administration's (SSA) reviews of company appeals of beneficiary assignments had resulted in relieving an additional 29 firms of responsibility to contribute to the Fund. This increased to 3,114 the total SSA fiscal year 1995 beneficiary reassignments to the unassigned group, whose benefits are financed by transfers of funds from the 1950 Pension Trust. The revised allocation of the beneficiary population is shown in table 2.

Table 2: Assignment of Fund Beneficiaries as of March 31, 1995

Operator type	Number	Beneficiaries
Signed 1988 agreement	84	43,270
Non-1988 agreement signatory and		
Signed 1978 or later agreement	99	19,943
Did not sign 1978 or later agreement	158	5,586
Unassigned		27,901
Total	341	96,700

Additional reassignment of beneficiaries from the assigned to the unassigned category may occur because SSA has not yet completed reviewing all operators' appeals. Furthermore, there may be some reassignments of currently unassigned beneficiaries to the assigned category. A Fund official explained that, at the time the Fund sent out its initial premium billing in October 1993, SSA had not completed reviewing its records of all beneficiaries in

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order to identify the companies to which they should be assigned, and thus placed a number of beneficiaries into the unassigned category. The Fund has information indicating that some of these individuals are assignable.

WHAT WERE OPERATORS BILLED FOR FISCAL YEAR 1995?

A total of 370 operators were initially billed for premiums of about \$162 million based on the assigned beneficiary population as of October 1, 1994, as shown in table 3. The billing was based on a per capita premium of \$2,349.38, as calculated by SSA pursuant to the Fund's enabling legislation. The billing also reflected a credit of \$6.865 million resulting from previous SSA reassignments and companies' payments for 1993. As in prior years, \$70 million was transferred from the 1950 Pension Trust on October 1, 1994, to pay benefits of the unassigned participants and death benefits as required by law. In addition, the Fund will credit about \$7.3 million to the companies that had been assigned the 3,114 beneficiaries mentioned earlier that SSA subsequently reassigned in 1995.

Table 3: Assigned Operators' Net Billing as of October 1, 1994

Operator type	Number	Premium billed
1988-agreement operators	89	\$100,059,167
Non-1988-agreement operators and		
Signed 1978 or later agreement	107	46,938,143
Did not sign 1978 or later agreement	174	15,089,183
Total	370	\$162,086,493

WHAT IS THE FUND'S FINANCIAL STATUS AND HOW IS IT LIKELY TO CHANGE?

Our June 1994 correspondence noted that, if operations continued unchanged, the Fund would have a surplus of about \$103 million by September 30, 1994, and that annual surpluses of about \$32 million would occur and accumulate each year thereafter. We noted that a major factor creating these surpluses was the Fund's then current Medicare reimbursement rate, which had not been reflected in the statutory basis that SSA used to compute the per capita beneficiary premium the Fund billed to operators.

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Subsequent to our report, however, the fund's Medicare per capita reimbursement rate was renegotiated and substantially reduced for the year beginning July 1994. Thus, while the Fund had reported a surplus of \$114.8 million as of September 30, 1994, it appears that future annual surpluses may not occur. A private consulting firm that analyzed the Fund's financial operations under the new rate projected steadily increasing overall annual operating deficits starting in 1995, which would eliminate the surplus by the year 2003. Thus, it appears that annual deficits--instead of surpluses--are likely to occur, which would erode the current surplus over time.

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As discussed with your staff, we are also providing this information today to Representative Nancy L. Johnson in a separate letter. The Fund's staff provided the updated information needed to respond to your request.

Our work was performed under the supervision of Donald Snyder, Assistant Director, with the assistance of Endel Kaseoru, Evaluator-in-Charge, during April and May 1995, in accordance with generally accepted government auditing standards. If you or your staff have any questions concerning this letter, please contact either Mr. Snyder at (202) 512-7204 or me at (202) 512-7215.

Sincerely yours,



Jane L. Ross
Director, Income Security Issues

(105684)

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