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ON THE EDGE OF THE ABYSS

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TV News

NBC NIGHTLY NEWS WITH TOM BROKAW

Corporations change rules on retirees



Nightly News

Raise cost of health care on lifetime employees

NBC's Kelly O'Donnell follows a retired couple suing 3M for more than doubling their health care costs.

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By Kelly O'Donnell
NBC NEWS CORRESPONDENT

NEW YORK, Jan. 18 — Many retirees have worked all their lives, thinking their companies were going to pay for their health care when they left. But many companies are now changing the rules.

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A LIFETIME of loyalty, betrayed — that's how retirees Ed and Dorothy Hughes of Minnesota feel about an unexpected and expensive change in their



Kelly O'Donnell
NBC CORRESPONDENT

health benefits.

“We are being robbed of everything we worked really hard for,” Dorothy says.

Both worked for manufacturing giant 3M.

Ed retired after 46 years and is now 75 and battling Parkinson’s disease. His wife Dorothy worked there 33 years. The Hughes say 3M promised them low cost health coverage for life.

Their union contract set a limit for out-of-pocket expenses at \$750 per year.

But there was a huge change that more than doubled that amount. 3M altered the retirees’ plan, raising the couple’s cost to \$2,000 a year for medical and prescription coverage.

“Things aren’t the way you thought you had planned them for the rest of your life,” Ed says. “That’s very stressful.”

A national survey finds that 40 percent of companies provided health benefits for retirees over 65 in 1993. But now that figure has dropped to just 24 percent.

PASSING THE BUCK

Health benefits are an enormous cost for corporations. The national average is more than \$4,400 for each employee and expected to jump 11 percent this year alone. Some companies say that forces them to pass on some of the burden.

Retirees use medical care much more,” says Barry Schilmeister of William M. Mercer Inc., “and therefore generate higher costs.”

But Ed and Dorothy Hughes are fighting back, filing a class action lawsuit against 3M.

They point to the company’s own handbook and its claim that retirees like the Hughes would “receive medical benefits for your lifetime at company expense.”

But 3M defends its benefits program, saying it actually expanded the range of services covered and includes prescription drug benefits.

3M cites the last page of that same handbook and a clause warning potential changes.

“We have always had the right to change that plan,” says 3M staff vice president L. Joe Thompson, “and we have changed it and continue to give them a very strong plan.”

But Ed and Dorothy say the change cost them something else — the trust they placed in a company they served together for nearly 80 years.

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