



A Summary of the Medicare Part B Premium Adjustments for Retired Pilots and their Spouses age 65 and Older – The Facts and Next Steps as Recommended by our Professional Advisors

December 18, 2008

Our Mission Statement

To work to preserve the earned pensions, health insurance and other benefits paid by Delta Air Lines to retired Delta pilots, their dependents and survivors.

Dear DP3 member,

In a December 8, 2008 letter to all DP3 members, I discussed the issues surrounding the recent letter many retired pilots have received from the Social Security Administration advising these retirees that their Medicare premiums would increase in 2009. These increases apply to anyone whose modified adjusted gross income (MAGI) exceeded \$85,000 for singles or \$170,000 for couples in 2007, the tax year used to compute income adjusted Medicare premiums for 2009. Due to the bankruptcy related claims paid during the 2007 tax year, many Delta retirees had income that was much higher than normal that year.

While DP3 does not give tax or financial advice, due to the sheer volume of email messages we have received on this subject we have attempted to act as a clearing house to provide you with the latest available information on this issue. To that end we asked our accountant to contact the Social Security Administration to seek answers to the questions we have received to date. During this process we asked if it would be possible for DP3 to handle this problem for our members, but due to the fact that each case is based on a retiree's individual financial situation, it will be necessary for each person to deal with the Social Security Administration themselves.

First the facts:

1. You will not find information on how to handle IRMAA (Income Related Monthly Adjustment Amounts) cases on the internet. You must personally speak to a Social Security Administration agent to resolve this issue. The appeal process to reduce the Medicare premium must take place either in person or on the phone with an agent. There is no form to fill out in the initial stages of the process. If the appeal goes past the initial agent, then there are forms to request a hearing.
2. During the initial appeals process, the decision to base the Medicare premium on 2008 MAGI rather than 2007 (which should result in a smaller premium) is made by the agent who is handling the call. Theoretically, one pilot could receive a favorable decision and another receive a non-favorable decision based on the agent they speak to. We tried to set it up where each pilot could have a direct number to call so that the same agent handled each case. However, this is not possible because the SSA works just like the IRS. When you call, it goes to a call center and is then routed across the country.
3. In order to have your 2009 Medicare premium based on your 2008 MAGI, each pilot must prove that there was a Life Changing Event from 2007 to 2008. A life changing event for our purposes is "loss or reduction of certain forms of pension income". In order to prove that the loss of pension is a life changing event, you must prove that the pension was a traditional defined benefit pension plan and the plan has failed and been terminated. The fact that it is now insured by the PBGC should serve as evidence of this failure. Also, Delta's bankruptcy restructuring should qualify under this provision.

Social Security Administration Form 44 – Medicare Part B Income-Related Premium – Life Changing Event (SSA-44) – can be used for the appeal and the instructions for completing the form provide detailed information on filing an appeal.

- Step 1 of the instructions defines “Loss of Pension Income” as one of the life changing events that is acceptable for requesting an appeal.
- Step 2 of the instructions explains that tax year 2007 was used for calculating premiums for the 2009 Medicare Premiums, but describes how a more recent tax year’s modified adjusted gross income may be used to calculate these premiums if you have experienced a “life changing event”.
- Step 3 of the instructions provides information related to using a subsequent years estimated adjusted gross income for calculating Medicare premiums.
- Step 4 of the instruction describes the required evidence for the life-changing event and the modified adjusted gross income to be used for the appeal.

After carefully studying this information we believe that a successful appeal can be made based on the information provided in SSA-44. This form allows a retiree with a “life changing event” to use more recent year’s estimated adjusted gross income for computing the Medicare Part B premiums. A retiree should be able to document that the retirement plan was terminated in 2006; a one-time bankruptcy claim payment was made in 2007; and their estimated adjusted gross income for 2008 will be considerably below the income level requiring an income-related premium adjustment. If you provide an estimate of your modified adjusted gross income for 2008 social security should use this information until the 2008 income tax return is filled. Social security may ask you to provide a copy of your tax return when it is filed.

Recommended steps to be taken by each affected pilot:

1. Each retired pilot should make contact with a social security agent as soon as possible to start the appeals process. (You only have 60 days from receipt of your SSA premium letter to file an appeal.)
2. Each pilot must prove that they had a life changing event from 2007 to 2008. In order to do this, they must prove that the loss of their pension qualifies. Each agent may require different types of documents to approve the appeal. Some agents will accept any correspondence from the PBGC received by the pilot as well as correspondence from Delta indicating the pension plan was terminated. **THE KEY IS BEING ABLE TO PROVE THAT YOU HAD A LIFE CHANGING EVENT.** You should use the term “Life Changing Event” whenever discussing this with SSA agents. Each pilot should be as “firm” as possible in pleading their case that this was a life changing event.
3. If the appeal is approved, the pilot will be required to submit their 2008 tax return to prove there was a reduction of income from 2007. This should be done as promptly as possible. Also, if granted an appeal, make sure that you understand how to submit the 2008 tax return and who it should be submitted to.
4. The phone number for the Medicare main line is 1-800-325-0778. However, it may be more productive to visit your local office and discuss this with an agent in person.

This is a fluid situation and we will try our best to keep you informed of any new developments. Please check the DP3 BLOG for any late breaking updates.

Thanks for your continued support.

Will Buergey
Chairman, DP3