

Carrier's Exhibit No. 5

BEFORE PRESIDENTIAL
EMERGENCY BOARD NO. 242

TESTIMONY OF
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KENNEDY & RAND CONSULTING

Overview of Testimony

- AmPlan - Amtrak's health & welfare benefits
- Amtrak's proposal compared with the PRLBC proposal
- Differences between the Amtrak proposal and PRLBC proposal are consistent with past practice

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In my testimony today, I will provide the panel with an overview of AmPlan, the health and welfare benefits plan which was adopted by Amtrak in 1997 based on the Zumas decision in December 1990.

I'll also discuss Amtrak's proposed changes in the current plan, and where those changes result in minor differences from the plan proposed by the Passenger Rail Labor Bargaining Coalition also referred to as the PRLBC.

Finally, I think the data we're presenting will illustrate how Amtrak's proposal is consistent with past practice.

Amtrak Health & Welfare Benefits

- Amtrak adopted AmPlan in 1997
 - Zumas award in December 1990
 - Drawdown of Reserves from the Railroad Employees National Health and Welfare Plan (the “National Plan”)
 - Benefit structure based on the National Plan
 - Covers Amtrak’s approximately 16,000 represented employees

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Amtrak was created by an act of Congress in 1970.

Between 1970 and 1997, Amtrak provided health benefits to its union represented employees under the National Plan, which provided coverage to union represented employees of the freight railroads. In 1987, in an effort to control rising health insurance costs, Amtrak began to explore the possibility of withdrawing from the National Plan.

Amtrak believed it could achieve savings by obtaining separate experience rating under a separate plan, based on a younger workforce with healthier characteristics. Amtrak’s rail unions objected to Amtrak’s plan to withdraw from the National Plan and the contractual dispute was resolved in arbitration before Arbitrator Nicholas Zumas. In the award of Special Board of Adjustment No. 1029, Arbitrator Zumas held that Amtrak had the contractual right to withdraw from the National Plan and to establish a separate plan as long as the separate plan provided “the same level of health and welfare benefits” as provided under the National Plan. The Zumas award did not require identical coverage; it held that “[e]quivalency is the critical and determinant factor.”

For financial reasons associated with the drawdown of reserves under the National Plan and the repayment of those reserves to participating carriers, Amtrak deferred exercising its right to establish a separate plan until 1997. In 1997, Amtrak adopted AmPlan for its union represented employees. Amtrak established a benefits schedule that was equivalent to the benefits schedule that was provided under the National Plan and a Joint Medical Administration Committee (“JMAC”) comprised of equal numbers of Amtrak and union representatives to administer the plan.

Today, AmPlan covers some 16,000 union employees and their dependents, under agreements with the 9 bargaining groups in the PEB (BMW, BRS, NCF&O, IAM, IBEW, JCC, ATDA, ARASA MW, ARASA MF) and the bargaining groups outside of the PEB (BLET, UTU, SMWIA, IBB, TCU, ASWC, ARASA OBS, FOP). As Mr. Bress has testified, about 40% of the bargaining employees are in the PEB group.

Amtrak Health & Welfare Benefits

- AmPlan has generally retained the National Plan benefit levels with certain accommodations to meet Amtrak specific needs

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Over time, the AmPlan has generally followed the features of the National Plan, but with accommodations from time to time for Amtrak specific circumstances. Some of those changes have provided more generous benefits at additional cost to Amtrak; and some have provided savings to Amtrak.

AmPlan and the National Plan

- Some of the Differences
 - Emergency room co-payment
 - Replaced pre-authorization list with care coordination
 - Added nurse line and managed pre-natal program
 - Childhood immunizations—not limited to under age 6
 - Eliminated prior admission requirement for access to extended care and skilled nursing facilities
 - Eliminated maximum for hospice care
 - Different networks
- Additional Differences from the 2003 TCU agreement
 - Reduced disability extension feature
 - No opt-out payment
 - \$50 monthly employee contribution vs. \$80

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Virtually since inception, the AmPlan under the management of the JMAC has incorporated some differences compared with the National Plan.

Some of the key differences are:

- Under the National Plan, the emergency room co-pay requirement was \$30, but with a \$15 refund if the employee can show that there was in fact an emergency. That latter requirement was waived under AmPlan, so that the emergency room co-pay was always \$15.
- Childhood immunizations were updated to include the list approved by Center for Disease Prevention and Control and the American Academy for Pediatrics for children, and are not limited to children under age 6.
- The maximum for hospice care was eliminated.

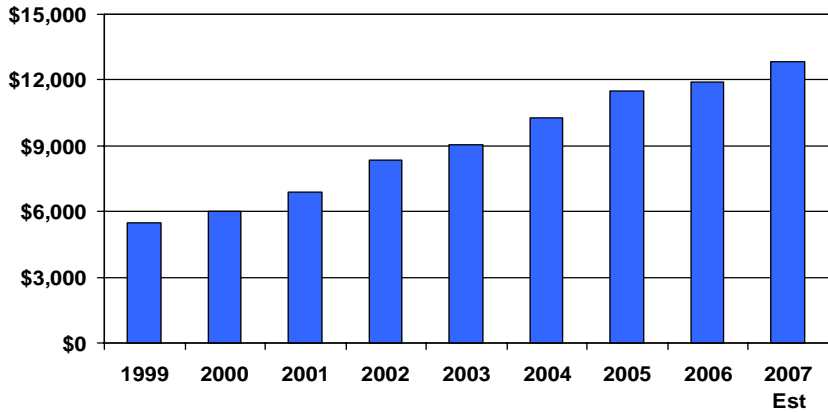
Amtrak Settlements

Further differences emerged in Amtrak's 2003 and 2004 settlements with TCU, ASWC and ARASA OBS, including:

- The disability extension provision for medical benefits was reduced from the end of the second year after disability to 24 months after disability, with no extension for vacation pay.
- There is no payment for opting out, vs. a \$100 opt out payment for employees who can show other coverage and opt out of the National Plan.
- And finally, the monthly contribution was \$50 per month (later increased to \$75 per month), vs. \$80 per month under the 2003 freight National Plan agreements.

AmPlan Medical Cost

Annual Cost per Employee

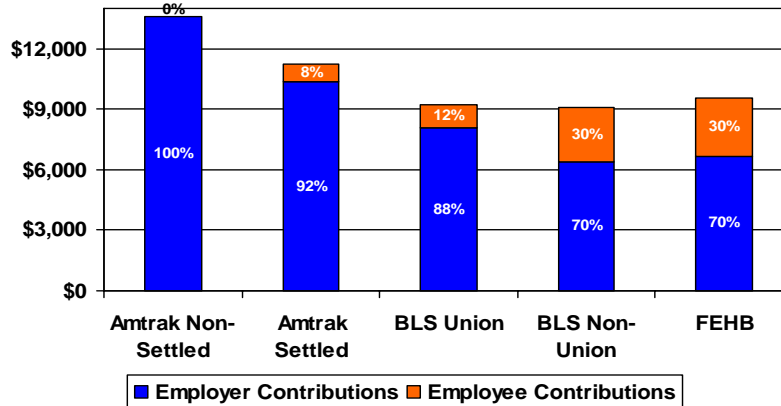


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In this graph we show the rapid and sustained growth in medical plan costs for AmPlan, following its adoption.

In 1999 per participant costs were \$5,461. Those costs are estimated based on the latest cost data available to be \$12,823 in the current year. Over this period, costs have grown at a compound annual rate of 11.26%, reflecting the financial pressure which Amtrak shares in common with virtually all U.S. employers providing medical benefits to employees and their families.

AmPlan Versus Benchmarks Average Annual Medical Cost per Employee



Source: National Compensation Survey, Bureau of Labor Statistics, March 2007; US OPM

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Here we show the panel how Amtrak's expense for these AmPlan benefits compares with expenses being incurred for health and welfare benefits in the U.S. economy generally and in the Federal Employees Health Benefits Plan (FEHB), which is generally held up as a model plan for providing health benefits to employees and their families.

As the panel can see, the costs for both Amtrak's non-settled bargaining groups and for those that have settled substantially exceeds the average costs reported by the Bureau of Labor Statistics, whether the comparison is with union workers or non-union workers. Those costs are also much higher compared with costs for the FEHB plan.

Health Plan Co-Pay Benchmarks

Plan Feature	Amtrak		FEHB Blue Cross Standard 2007 ¹	Private Sector Average 2007 ²
	Non-Settled	Settled		
Retail Drug Co-pay				
Generic	\$2	\$5	25% Co-insurance	\$10
Formulary	\$6	\$10	25% Co-insurance	\$25
Non-Formulary	\$6	\$10	25% Co-insurance	\$40
Office Visit Co-pay				
Primary Care	\$15	\$15	\$15	\$18
Specialist	\$15	\$15	\$15	\$26
Emergency Room Co-pay	\$15	\$50	Accident: \$0 Medical Emergency: \$250 deductible and 10% co-insurance	\$90

1. Federal Employee Health Benefit Standard Option
2. Prescription Drug: Mercer National Survey of Employer-Sponsored Health Plans 2006. Office Visit and ER: Watson Wyatt Data Services, 2007-2008 Survey Report on Employee Benefits – Large employers

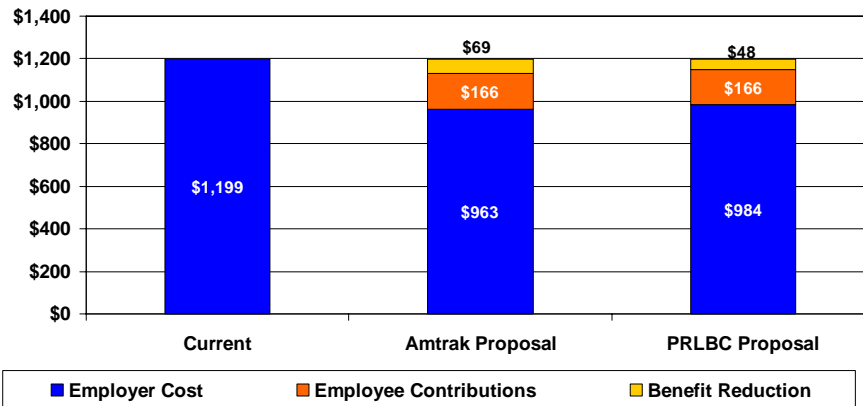
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This relative generosity of AmPlan is also evident when you compare plan design features with those same features as reported in various surveys among U.S. employers and in the FEHB Blue Cross Standard Option Plan (which currently covers 50% of all FEHB participants)

As the panel can see, these plan features are markedly more generous than those reported in these surveys, and in the Blue Cross Standard Option Plan.

Current Proposals

Monthly Cost per Employee All Plans



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In this slide, we show the panel the effects of the changes proposed by Amtrak and by the PRLBC, compared with the current plans in place for those unions that have not yet settled. We have selected the PRLBC proposal for this purpose because it is the only proposal Amtrak has received after the 2007 freight agreements.

I think it's worth emphasizing that this graph illustrates how Amtrak's proposal for the AmPlan will respect the equivalency objective from the Zumas award, since as the panel can see the differences in cost between the PRLBC's and Amtrak's proposals are negligible.

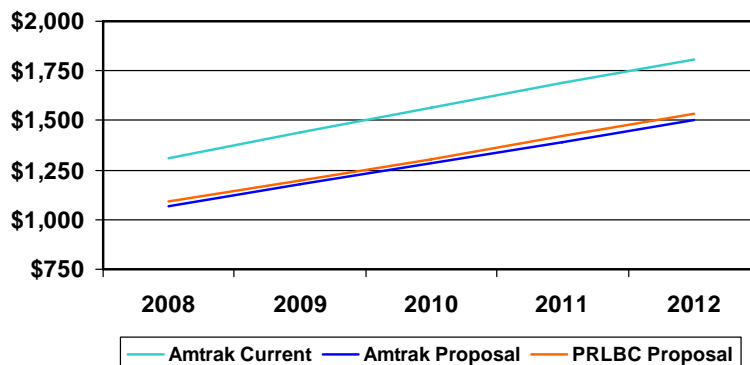
Under both proposals, the first year employee contribution requirement is the same--\$166.25 per month.

The additional benefit reductions (in both proposals) are quite minimal—just 5.75% of current costs under Amtrak's proposal and 4% of current costs under the PRLBC proposal--or in dollars just \$21.17 per month per participant.

Moreover, under Amtrak's proposed method of calculating employee contributions (looking retrospectively rather than prospectively at plan costs for the purpose of the calculation) some of this difference will be recovered by plan participants in lower contributions in the second and third years of the agreement.

Amtrak vs. PRLBC Proposals

Monthly Cost per Employee All Plans Net of EE Contributions



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In this slide, we also illustrate graphically how narrow the differences are between the PRLBC proposal and Amtrak's. This slide projects the costs forward for the current plan, Amtrak's proposal, and the PRLBC proposal and takes into account the more favorable method of calculating employees' share of the costs beginning in 2009, assuming that the new plan would take effect January 1, 2008.

That more favorable calculation is estimated to be worth \$6.50 per month in 2009 and \$6.86 per month additional in 2010.

Amtrak vs. PRLBC Proposals

- PRLBC Proposal = 2007 Freight Agreements
- Amtrak Proposal = 2007 Freight Agreements with very minor modifications
 - Consistent with past practice
 - Reasonable

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The essential difference between the PRLBC's proposal and Amtrak's proposal is this:

- The PRLBC has proposed that the AmPlan be modified to follow precisely the 2007 freight agreements. But this ignores the fact that many differences between AmPlan and the National Plan have emerged since the inception of AmPlan.
- Amtrak's proposal will continue to have some minor differences compared with the National Plan. In addition the resulting net savings to Amtrak is offset to some degree in years 2 and 3 by the more favorable method Amtrak proposes for calculating employees' share of the cost in years after the first year of the new arrangements.

Proposal Differences - Medical

Plan Features	Amtrak Current	Amtrak Proposal	PRLBC Proposal	Amtrak vs. PRLBC (Savings)/Cost PEPM
Urgent Care Copayment	\$15	\$20	\$25	\$0.11
Prescription Plan Dispense as Written Requirement	Mandatory Generic unless DAW	No DAW Penalty	Mandatory Generic unless DAW	\$2.40
Emergency Room Copayment	\$15	\$50	\$25 - \$50 if not emergency	(\$1.05)
Opt Out Credit	None	None	\$100 per month	(\$2.13)
Benefits Extension for Disabled Employees	Up to end of 2nd year after disability with extension for vacation pay	Up to 24 months after disability - no vacation pay extension	Up to end of 2nd year after disability with extension for vacation pay	(\$2.33)
Retiree Drug Plan Copayments	Same as Active	Same as Active	Not Addressed	(\$0.92)
Retiree Premium Contribution	\$0	\$50	No	(\$2.50)
Comprehensive Plan -- Co-insurance if Employee lives in POS Network area	85%	75%	85% but mandatory MMCP in designated locations	(\$0.60)
Total Medical Plan Features				(\$7.02)

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In this and the next two slides, we show the panel each of the differences between the PRLBC's proposal, and Amtrak's, as well as the cost (or savings) to Amtrak for each area where there is a difference. As we've noted, in some areas Amtrak's proposal is more generous and costs more; in other areas there is a savings to Amtrak. We've highlighted the former in green.

This first slide shows the differences in features of the medical plan. As the panel can see, the differences in any of these areas are very minor in terms of their effect on the plan's cost. In the aggregate they will produce savings to Amtrak of just \$7.00 per employee per month.

Proposal Differences - Other

	Amtrak Current	Amtrak Proposal	PRLBC Proposal	Amtrak vs. PRLBC (Savings)/Cost PEPM
Hearing Benefit	\$0-unless accident	\$0-unless accident	\$600-hearing loss any cause	(\$1.32)
Life / AD&D	\$10K/\$8K	\$10K/\$8K	\$20K/\$16K	(\$2.79)
Vision Network Enhancement	Basic Network	Basic Network	Broaden Network	(\$1.00)
Supplemental Sickness (STD)	Existing Schedules	Existing Schedules	Increase to new NCCC levels	(\$9.04)
Total Other Plan Features				(\$14.15)
Combined Total				(\$21.17)

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Here, we show the differences between Amtrak's and the PRLBC's proposals as they relate to other features of the plan. Specifically:

- The hearing, life and AD&D benefit, and the vision benefit; and
- The supplemental sickness benefit, which provides income to participants in the event of a disability.
- As the panel can see, these differences will produce a savings to Amtrak of \$14.15 per employee per month, principally from the savings from maintaining the supplemental sickness benefit at current levels.

The combined savings from all benefits is \$21.17 per employee per month which represents approximately \$1.7 million in annual savings to Amtrak.

Proposal Differences - Contributions

Employee Contributions	Amtrak Current	Amtrak Proposal	PRLBC Proposal	Amtrak vs. PRLBC (Savings)/Cost PEPM
Initial Employee Monthly Premium	NA	\$166.25	\$166.25	
Effective Date of Rate Change	NA	July 1	January 1	
Contribution Adjustment Basis	NA	Retrospective - Based on AmPlan prior year cost	Prospective - Based on Freight's current year cost	
Premium Cap	NA	\$200 at 7/1/2010	\$200 at 1/1/2010	
(Savings)/Cost to Amtrak			2008	(\$0.94)
			2009	\$6.50
			2010	\$6.86

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And finally, in this table we show the panel the difference between the way Amtrak proposes to calculate employees' share of the cost, in years beyond the first year of the agreement.

Under both proposals, the contribution requirement is \$166.25 initially.

Under the method used by the freights, that cost (at 15% of total costs in years after the first year, subject to the cap as indicated) is calculated prospectively, based on the rates that the freight carriers will pay into the trust fund for the coming year. The rate will change each January 1. Under the PRLBC proposal, Amtrak employees would contribute the same amount that the freight employees contribute initially and future adjustments would be based on National Plan experience, not Amtrak plan experience. Amtrak prefers to link employee contribution changes to Amtrak plan experience.

Under Amtrak's proposal, we are prepared to do the calculation retrospectively, taking into account the most recent claims experience in the past, and the rate would change July 1, 2008 initially and on July 1 thereafter. These two factors combine for the estimated difference in premiums under the two methods, since it will leave at least twelve months of increases in health care costs out of the equation. The estimated effect of this difference is shown in the last two columns in the table, expressed on the same per employee per month basis as we used to show the differences in costs attributable to plan features:

In the first year, Amtrak will save a nominal amount (less than \$1), because the increase in the National Plan's costs for 2008 was under 1%. But in the next two years, we estimate the cost to Amtrak (and the savings to participants) to be:

- \$6.50 in 2009, and
- \$6.86 in 2010

And we should note that these savings are calculated assuming a significant decline in cost increases in AmPlan compared with the history of the plan--so this estimate may well be conservative.

Proposal Differences - Justifications

Urgent Care co-payment	<ul style="list-style-type: none">• Benefits EE's
Emergency Room co-payment	<ul style="list-style-type: none">• In 2003 Agreements• In 2007 BLET T/A• Consistency across AmPlan
Prescription Plan Dispense as Written Penalty	<ul style="list-style-type: none">• Benefits EE's

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In this and the next two slides, we show the justification for each of the differences between Amtrak's and the PRLBC's proposals.

- Amtrak's more generous Urgent Care co-payment is beneficial to employees
- The emergency room co-payment provision in the National Plan varies payment based on whether the emergency room visit is an emergency or not. This disparate treatment is not included now in the 2003 TCU agreement, nor is it in the 2007 BLET Tentative Agreement. So this will help assure continuing consistency in AmPlan benefits across Amtrak's bargaining groups. I should point out that AmPlan has for many years had a single co-pay requirement for emergency room visits, regardless of the cause.
- The elimination of the Dispense as Written requirement also benefits employees.

Proposal Differences-Justifications

Opt Out Credit	<ul style="list-style-type: none"> • Never in AmPlan • Consistency across AmPlan • Unnecessary - New Contributions
Benefits Extension for Disabled Employees	<ul style="list-style-type: none"> • Provides Consistent Time Limit • Consistent w/Vacation Policy • Prevents Abuse • Consistency across AmPlan
Retiree Rx Plan co-payments and Premiums	<ul style="list-style-type: none"> • Amtrak has one plan for retirees and actives • Freighters have two separate plans

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•With respect to the Opt Out Credit of \$100 monthly that the unions have proposed, these are the important points:

- AmPlan has never had an opt out credit, whereas the National Plan has had this credit for a number of years.
- The same consistency justification that applies to the emergency room and prescription drug co-pay features also applies here; and
- Perhaps most important, there's no need for an additional incentive for a participant who has redundant coverage to opt out, since by doing so he or she will already be saving just under \$2000 per year in employee contributions.

•Amtrak's proposed change in the benefits extension provisions for a disabled employee will provide consistent treatment for any employee who becomes disabled, regardless of the date of disability. It also restores consistency with Amtrak's vacation policy, which requires that an employee with unused vacation at the end of a year be paid out—so these extensions beyond the time limit should not occur in any event. And it eliminates the potential for abuse as the plan is currently being administered. And finally, it's consistent with the operation of the plan now for those unions that have settled.

•The proposal to make retiree prescription drug co-payments the same for active and retirees is driven by the principle of consistency, and recognizes that AmPlan is a single plan, versus the separate plans for actives and retirees maintained by the freighters.

•Those same arguments apply to Amtrak's proposal to require a modest premium contribution for retirees.

Proposal Differences - Justifications

Enhanced Hearing Benefit and Life and AD&D	<ul style="list-style-type: none">• Cost containment• Consistency across AmPlan
Vision Network Enhancement	<ul style="list-style-type: none">• Cost containment• Consistency across AmPlan
Supplemental Sickness (STD)	<ul style="list-style-type: none">• Cost containment• Consistency across AmPlan

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With respect to the differences depicted above — the hearing benefit and life and AD&D, the vision network, and the supplemental sickness benefit: Amtrak’s proposal will serve the goal of cost containment for the plan, and assure continuing consistency among all participants covered under the plan.

Summary – Amtrak’s Proposal

- Amtrak’s proposal generally follows the freight pattern with reasonable adaptations based on Amtrak’s unique circumstances
- Amtrak’s proposal continues to provide generous health & welfare benefit for Amtrak employees

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This in summary is Amtrak’s position:

- Over time, differences have evolved between AmPlan and the National Plan, through JMAC concurrence or through collective bargaining; and
- Amtrak’s proposal respects original objective of equivalence while continuing modest differences from the National Plan, entirely consistent with past practice.
- We believe the proposal is reasonable and will continue to provide generous health and welfare benefit for Amtrak’s union employees.