



Retired Public Employees Association

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RPEA Testimony before the Joint Fiscal Committees of the Legislature

Workforce Development Hearing

Hearing Room B

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John McPadden

President

Edward Farrell

Executive Director

Chairwoman Young, Chairwoman Weinstein, members of the Senate Finance and Assembly Ways and Means Committees thank you for the opportunity to speak to you this afternoon.

My name is Jack McPadden, President of the Board of Directors of the Retired Public Employees Association (RPEA) and I am testifying with Ed Farrell, RPEA's Executive Director, on behalf of retired public employees and their spouses/partners. I am testifying today with respect to the Governor's 2018-19 Executive Budget which proposes language that, if adopted, would result in significant premium increases for health care benefits for Medicare eligible state retirees enrolled in the New York State Health Insurance Program (NYSHIP).

RPEA is a non-profit association organized to promote and protect the interests of the more than 400,000 retired State and local municipal employees. The Association is governed by a volunteer Board of Directors, Chapter officers, and Committee members. We have a network of 14 local Chapters, most of which are located in New York State since 78% of public employee retirees remain New York State residents, driving \$8.2 billion into the State's economy. According to the Comptroller, public sector retiree's annual spending is responsible for over \$12 billion in economic activity and the creation of roughly 60,000 jobs.

State retirees' pension and health care benefits are derived from the express and implied future agreements of our employers. Once we retire, we all rely on those promises for a financially secure and well-deserved retirement. While health insurance benefits for retirees are not constitutionally guaranteed as are our pensions, as a responsible employer and as a matter of sound public policy, the State has included retirees in NYSHIP for accessible and affordable health insurance coverage.

Currently, eligible NYSHIP retirees pay the exact same premium contribution as their counterpart active State employees. However, the State has realized significant cost savings for

retiree health insurance by requiring that all retirees participating in NYSHIP enroll in the federal Medicare program upon turning 65. As a requirement for Medicare enrollment, such retirees must pay Part B standard premiums while they are also required to pay the full NYSHIP premium percentage contribution to the State for their health insurance coverage. Additionally, some higher income retirees also pay a Medicare Part B and Part D Income Related Monthly Adjustment Amount (IRMAA) surcharge.

Because these actions save the State money, the Legislature provided for full reimbursement of all Medicare Part B premiums. Chapter 602 of the Laws of 1966 created Section 167-a of the Civil Service Law to offset this additional cost to the enrollee, so that the enrollee's total cost for their health insurance would remain unchanged.

I call you attention to the most egregious part of the Executive Budget, from RPEA's perspective, the "capping" of the Medicare Part B premiums at the current year level. The Governor euphemistically refers to it as a "floor", but in actuality it is a "cap". Current language in the Civil Service Law requires that retirees be reimbursed the "premium charge", with no reference to a specific dollar amount. The Governor recommends that language be inserted which would cap future reimbursement at an amount equal to the current year Medicare basic premium of \$134 per month. It is a given fact that health insurance premiums increase on a regular basis and it is horrible public policy to insert a specific dollar amount into the statute. As future premiums increase, and the cap language prevents full reimbursement to Medicare eligible retirees, the State will have broken the covenant it made with retirees by forcing them into Medicare upon reaching the age of 65. This is not an acceptable option.

Also, as he did in previous Executive Budgets, the Governor again proposes elimination of the Part B IRMAA surcharge reimbursement. Thankfully, the Legislature rejected those efforts. Now, unfortunately, it's back! NYSHIP retirees pay this surcharge on a monthly basis and are reimbursed in the following year. We thank you for your past support, and again urge that this be deleted from the budget.

I should also point out that the State has saved money on retiree drug prescription coverage by blending NYSHIP prescription drug coverage with Medicare Part D. As Medicare retirees discovered, there is a Part D IRMAA surcharge which the State has refused to reimburse, claiming that Section 167-a of the Civil Service Law does not apply to prescription drug coverage. This surcharge ranges from \$13 to \$75 per month out-of-pocket cost for each retiree. The insignificant savings to the State breaks faith with the spirit and intent of the original 1966 Medicare reimbursement law. Last week, a bill to correct this inequity (S.1612, Golden) was moved to the Finance Committee. The Senate passed the bill last year and we urge that its companion (A.2000, Abbate) be adopted by the Assembly as well. To state the obvious, Part D of Medicare is in fact Medicare, and should be reimbursed.

In closing, I note that the Executive's stated rationale for all these ill-conceived proposals is that retiree health care costs are "beyond the benchmark growth rate of 2% per year". This may well be the most disingenuous statement in the entire Executive Budget. The Committees are fully aware that NO health insurance costs would meet Governor Cuomo's self imposed 2% range. As a matter of fact, retirees are in the same health care plan, and pay the same exact premiums as active employees. To somehow infer that retirees are "challenging the State's ability to remain economically competitive" is simply not true. As noted earlier, retirees are major economic contributors to New York's economy.

Therefore, we rely on you, our elected representatives, to provide budget oversight of the Executive branch of government to protect our health care benefits—to make sure that the promises made are promises kept.

Thank you for allowing us to testify this afternoon on behalf of all public employee retirees.