



Retired Public Employees Association

165 Jordan Road • Troy, NY 12180 • (518) 869-2542 • e-mail: mail@rpea.org
John J. McPadden, *President* Edward C. Farrell, *Executive Director*

RPEA Testimony before the Joint Fiscal Committees of the Legislature

Workforce Development Hearing

Hearing Room B

January 25, 2017

John McPadden

President

Chairwoman Young, Chairman Farrell, 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 2017-18 Executive Budget which proposes language that, if adopted, would constitute significant premium increases for health care benefits for Medicare eligible 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 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 18 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.

The most egregious part of the Executive Budget, from RPEA's perspective, is the so called "capping" of the Medicare Part B premiums at the December 31, 2016 levels of \$104 and \$121.80 per month. Since there was a modest Social Security COLA this year, as of January 1, Medicare premiums have increased to \$109 to \$134 a month. What makes this proposal so particularly odd is that in December, the Department of Civil Service sent a letter (attached hereto) to all Medicare eligible enrollees stating that effective January 1, it would be reimbursing at the new, higher rate. Now, less than one month later, the Governor proposes going back to the prior, lower rate, effective May 1. So what is proposed as a "cap" is actually a "cut" in benefits to the entire 150,000 Medicare eligible recipients in NYSHIP. This proposal is presented by the Governor in a very misleading manner. We bring this to the attention to the Fiscal Committees and recommend that it be deleted from the budget.

As he did in previous Executive Budgets, the Governor again proposes elimination of the Part B IRMAA surcharge reimbursement. Thankfully, the Legislature rejected his efforts. Now, reminiscent of the movie Groundhog Day, it's back! This surcharge ranges from \$53.00 to \$295 per month out-of-pocket cost for each retiree. We urge that this also 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 \$76 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 year, a bill (S.1995, Golden/A.4190, Abbate) passed the Senate to correct this inequity and we urge it be adopted in both houses this year.

Also, in this year's Executive Budget is the Governor's proposal to implement differential NYHIP premium contributions for new retirees based on years of service. While we believe this proposal is more properly one that is subject to collective bargaining, we are fearful that any attempt to reduce the State's premium contribution percentage will reverberate on State retirees who have already retired in much the same way as the 2011 negotiated increase in NYSHIP premium contribution resulted in an increase in premium contribution rates for those previously retired.

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.

While these issues primarily concern State retirees’ access to affordable health care, their resolution affects retirees of local governments, as well. There are approximately 200,000 employees of local governments who are enrolled in the NYSHIP program and what you do at the State level sets a significant precedent and policy that the local governments in NYSHIP apply to their public employees. In addition, non-participating local governments often look to State policy to establish fair and uniform practices in providing health insurance coverage to their employees.

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.



**Department of
Civil Service**

ANDREW M. CUOMO
Governor

**IMPORTANT INFORMATION ABOUT MEDICARE
PART B REIMBURSEMENT IN 2017**

December 2016

The purpose of this notice is to inform you of the State's plan for administering the 2017 New York State Health Insurance Program (NYSHIP) reimbursement of Medicare Part B premium for you and/or your dependent(s).

As you may be aware, the Centers for Medicare and Medicaid Services (CMS) establishes the Part B premium each year after taking into account the annual Social Security cost of living adjustment (COLA). Unlike prior years when there have been only one or two Medicare Part B standard premium amounts, CMS has established many different Medicare Part B premiums for 2017. This is a result of the federal "hold harmless" protections, which ensure enrollees' "take home" Social Security amounts do not decrease on a year-to-year basis.

At this time, NYSHIP is unable to reimburse your exact Medicare Part B standard premium, as we do not have access to NYSHIP retirees' and dependents' Social Security allowances, COLA information or specific Medicare Part B premium charges. Therefore, NYSHIP will be reimbursing you and your dependents one of three Medicare Part B premiums. Please refer to the chart below to determine the monthly Medicare Part B premium reimbursement you will receive from NYSHIP for you and/or your Medicare-primary dependents.

Medicare Part B Enrollment Date	Reimbursement in 2016	Reimbursement in 2017
Prior to January 1, 2016	\$104.90	\$109.00
January 1, 2016, through December 31, 2016	\$121.80	\$125.90
January 1, 2017, or after*	n/a	\$134.00

* NYSHIP will automatically reimburse the full Medicare Part B premium for this group.

2017 Medicare Part B Notice12/2016 – NF0723

In addition to individuals who enroll in Part B for the first time in 2017, the following individuals will also be reimbursed \$134.00 per month in 2017:

- Individuals not receiving Social Security benefits;
- Individuals billed directly for Part B premium; and
- Individuals paying a Medicare Part B Income Related Monthly Adjustment Amount (IRMAA). This applies to retirees with a Modified Adjusted Gross Income (MAGI) above certain thresholds. Similar to previous years, the IRMAA portion of the Medicare premium will be reimbursed at the end of the calendar year. IRMAA reimbursement forms are generally mailed to enrollees in January of each year, to coincide with the receipt of the 1099-SSA.

The Department is developing a corrective action plan to adjust the amounts reimbursed for 2017 to reflect the amount actually charged by the federal government. At this time, we urge you not to call the Department/NYSHIP on this matter or to submit documentation of the actual amount CMS has charged you. NYSHIP will notify you if any additional information is required.

Thank you for your patience regarding this matter.

Employee Benefits Division

