RPEA Retired Public Employees Association

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Testimony Before the Joint Fiscal Committees

Workforce Development Hearing
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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 our members consisting of approximately 30,000 retired public employees and their spouses. I am testifying today with respect to the Governor's 2016-17 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, retiree's spending is responsible for over $11 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.

Recognizing the unfairness of this additional payment, 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.

Now the Governor is proposing capping the reimbursement of Medicare Part B premiums to $104.90 per month, effective October 1, 2016 despite the fact that Social Security has raised the standard Part B premium to $121.80 per month for certain Medicare recipients. Not only does this violate the promise made to retirees in 1966, but it represents age discrimination as only Medicare eligible retirees, not active employees, are required to enroll in Medicare for the sole purpose of helping the State reduce its health insurance costs.

If there is a Social Security Cost of Living Adjustment (COLA) in 2017 or in future years, the Medicare Part B standard premium of $121.80 per month will apply to ALL 145,000 Medicare eligible retirees enrolled in NYSHIP. This would mean that $16.90 per month of the Medicare Part B standard premium would be borne by all Medicare eligible NYSHIP enrollees as an additional out-of-pocket cost, totaling $30 million annually paid by retirees.

The Governor's Budget documents seem to indicate that only higher income Medicare retirees will be paying additional costs. Clearly, this is not the case as the effect of the Governor's proposed cap will be to require more out of pocket costs for the lowest income level Medicare retiree. And as evidence of the fact that the expressed intent of the federal government is to shift the cost of Medicare to enrollees, the original Part B standard premium was $3 per month! Remember, that New York has no control over additional fees that might be added to the Medicare program by the federal government.

As he proposed in his 2012-13 and 2013-14 Executive Budgets, the Governor proposed elimination of the Part B IRMAA surcharge reimbursement. Thankfully, the Legislature rejected his efforts both years. Now, reminiscent of the movie Groundhog Day, it's back! This surcharge ranges from $42.00 to $389.80 per month out-of-pocket cost for each retiree.

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 $12.70 to $72.90 per month out-of-pocket cost for each retiree. The insignificant savings breaks faith with the spirit and intent of the original 1966 Medicare reimbursement law. Last week, a bill (S.1995, Golden/A.4190, Abbate) which passed the Senate last year to correct this inequity was reported from the Senate's Civil Service & Pensions Committee to the Finance Committee.

We also urge you, as we did in last year's testimony, to pass a measure (S.3202, Golden/A.5308, Abbate) affirming that it was not the Legislature's intent in 2011 to allow union negotiated increases to the premium contribution percentage paid by active NYSHIP members to be passed on administratively to existing retired members. In the last round of contract

negotiations, administrative authority was given to the Director of the Budget and the President of the Civil Service Commission to "modify" NYSHIP statutory contribution percentage rates.

This is an equity issue. How can union negotiations affect those of us who have already retired when we are not a party to the negotiation, nor are public employee unions allowed to bargain on our behalf by law? This bill was also referred to the Finance Committee last week and we urge its favorable consideration.

And finally 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.

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.