

RPEA Testimony before the Joint Fiscal Committees of the Legislature

Workforce Development Hearing

Hearing Room B

February 4, 2019

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Chairwoman Krueger, 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.

RPEA

RPEA, which is celebrating its 50th year, is a non-profit association organized to promote and protect the interests of the more than 400,000 retired State and local municipal employees in the State Retirement System. 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. Contrary to popular perception, nearly 80% of public employee retirees remain New York State residents, driving \$8.2 billion into the State's economy. According to the State Comptroller, public sector retiree's annual spending is responsible for over \$12 billion in economic activity and the creation of roughly 60,000 jobs.

The Covenant with Retirees

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, thereby creating a covenant with Medicare eligible retirees.

The Executive Budget – Breaking the Covenant

- ***Capping Medicare Reimbursement***

I call your 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. 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 \$135.50 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.

- ***Eliminating IRMAA Reimbursement***

Also, as he did in previous Executive Budgets, the Governor proposes the 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 these two proposals be deleted once again from the budget.

Other Initiatives with Fiscal Implications

- ***Full Reimbursement for Prescription Drugs***

I 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, because Section 167-a of the Civil Service Law does not apply to prescription drug coverage. This surcharge ranges from \$12 to \$77 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. To state the obvious, Part D of Medicare is in fact Medicare, and should be reimbursed.

- ***Increase Survivor's Benefit***

There exists in statute a Survivors Benefit Program of \$3,000. This benefit was initially intended to help defraying burial expenses. It has remained unchanged for nearly 50 years. Legislation has been introduced to increase that amount and we urge that it be included in the final budget.

- ***Access to Skilled Nursing Facilities (SNF)***

As stated previously, in 1966, legislation was passed to integrate retirees over the age of 65 into the newly enacted Medicare Program. The Department of Civil Service, writing in support of the signing of that bill, noted that "this federal benefit would be in addition to any benefits available under the State Health Insurance Plan". That is no longer true.

Medicare primary enrollees in the Empire Plan are eligible for only 20 days SNF coverage (fully reimbursed), and are required to spend 3 days in the hospital to be eligible for coverage. Empire Plan enrollees under age 65 are eligible for 365 days fully reimbursed coverage, with no required hospital stay. Needless to say, older enrollees are more likely to need such care. We believe this policy to be age discrimination and urge you to amend the law to rectify it.

- ***Recent Management/Confidential Retirees***

In 2009 and 2010 Management/Confidential employees had their previously authorized salary increases withheld as part of the plan to reduce the state deficit. Starting in 2015, current M/C employees received those previously withheld increases, but those who had retired did not receive them, as they were no longer on the payroll.

Those salary increases for 2009 and 2010 were earned by Management/Confidential employees, even though the eventual payment was deferred. The State saved \$450 million through that salary deferral. We urge you to provide the funding for those M/C employees who retired between 2009 and 2015, as has been done for those still employed.

- ***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 and should no be singled out for discriminatory treatment.

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.