



# Retired Public Employees Association

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*Representing the interests of 500,000 New York state and local government retirees*

**RPEA Testimony before the Joint Fiscal Committees of the Legislature**

**Workforce Development Hearing**

**Hearing Room B**

**February 5, 2020**

**Edward C. Farrell**

**Executive Director**

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 Ed Farrell, Executive Director of the Retired Public Employees Association (RPEA) and I am testifying on behalf of our members and, indeed, all retired New York state and local public employees and their spouses or/partners.

## **RPEA**

RPEA, which just celebrated its 50<sup>th</sup> year, is a non-profit association organized to promote and protect the interests of the nearly 500,000 retired State and local municipal employees in the State Retirement System. RPEA is governed by a volunteer Board of Directors. We have 14 Chapters, most of which are located in New York State. Contrary to popular perception, nearly 80% of public employer retirees remain New York State residents, driving \$12 billion into the State's economy. According to the State Comptroller, public sector retiree annual spending is responsible for the creation of roughly 75,000 jobs.

## **The Covenant with Retirees**

State retiree pension and health care benefits are derived from the express and implied future agreements of our employers. Once we retire, we rely on these 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 same premium contribution as 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 Medicare upon turning 65. As a requirement for Medicare enrollment, such retirees must pay Part B standard premiums and also are required to pay the full NYSHIP premium percentage

contribution to the State for their health insurance coverage. 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 health insurance would remain unchanged, thereby creating a covenant with Medicare-eligible retirees.

### **The Executive Budget – Breaking the Covenant**

- ***Capping Medicare Reimbursement***

The most egregious proposal in the budget, from RPEA's perspective, is the one to "cap" retiree reimbursement of Medicare Part B premiums at the current year level. Language in the Civil Service Law requires that retirees be reimbursed the "premium charge", with no reference to a specific dollar amount. The budget recommends future reimbursement be capped at an amount equal to the current year Medicare basic premium of \$144.60 per month. Given past practice, health insurance premiums are likely to increase annually. As future premiums increase, and the cap prevents full reimbursement to Medicare-eligible retirees, the State will have broken its covenant with retirees that forces them into Medicare at age 65. Retirees will have to pay the difference from their own pocket if this cap is imposed. This is not acceptable..

- ***Eliminating IRMAA Reimbursement***

As in previous years, this budget proposes eliminating the Part B IRMAA surcharge reimbursement. NYSHIP retirees pay this surcharge monthly and are reimbursed the following year. We appreciate that the Legislature has rejected this proposal in the past. Now, unfortunately it's back. As with the Medicare cap proposal, there is no justification for denying these retirees a reimbursement for premiums the federal government requires them to pay.

- **Real People- Real Concerns**

Retirees have spent their careers in service to the residents of New York. Their days of earning a salary are over, and they are living their retirement fully expecting to utilize the benefits they earned during their employment.

The cuts will impact real people. Here are two of the many emails I have received.

***From a retiree in the Hudson Valley:***

*I am suffering from the effects of 9-11 (underwent a right lung resection a little over one year ago) and have been diagnosed with ILD. (Note: Interstitial Lung Disease causes fibrosis or scarring of the lungs. It is often fatal.) I refrained from filing for benefits believing that I could rely on my continued health benefits after my retirement. Without your continued protection, I fear what the end result would be. Now, more than ever, I need the full health benefits which I earned.*

***From a retired couple in the Capital District:*** *I retired one year ago in 2019 with 34 years of credited service. My husband is also a NYS retiree with 38 years of service who just became Medicare eligible.*

*As a family with a cumulative 72 years of state service, the penalty imposed on our family household is another insult to us as career civil servants. We lived through years of 0% salary adjustments, followed by mediocre pay increases; lag payrolls and reductions of benefits. We served the residents of the state unselfishly.*

*Please do everything you can to eliminate these unfair adjustments. These benefits were promised and planned on in our retirements. We understand that the Governor has to find cost saving measures to balance the NYS budget, but to continue to penalize the former state workforce is not the way to accomplish this.*

**RPEA thanks the Legislature for your past support, and we urge that these two proposals be eliminated once again from the budget.**

## **Other Initiatives with Fiscal Implications**

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

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

Empire Plan enrollees under 65 have coverage for 120 days of SNF care with no hospital stay required. However, upon eligibility for Medicare, the Empire Plan provides NO SNF coverage to retirees. So at age 65 SNF benefits available to retirees are reduced to those provided under Medicare- only 20 days of coverage and that coverage requires a 3-day hospital stay.

Older enrollees are more likely to need such care. RPEA considers this policy age discrimination and urges the Legislature to amend the law to rectify it.

- ***Increase the Survivor’s Benefit***

New York State’s Survivors Benefit Program provides a \$3,000 death benefit to the survivors of retired public employees. This benefit, which has not been increased for nearly 50 years, was initially intended to help defray burial expenses, which have increased significantly. Legislation has been introduced to increase this amount and we urge that it be included in the final budget.

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

The State has saved money on retiree drug prescription coverage by blending NYSHIP prescription drug coverage with Medicare Part D. There is a Part D IRMAA surcharge that the State does not reimburse, because Section 167-a of the Civil Service Law does not apply to prescription drug coverage. This breaks faith with the spirit and intent of the state’s Medicare reimbursement statute. This surcharge ranges from \$12 to \$77 per month out-of-pocket cost for each retiree. The savings to the State from not reimbursing this cost are insignificant. Medicare Part D is in fact Medicare, and should be reimbursed.

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

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

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

- ***In Closing***

The budget's stated rationale for all these proposals is that retiree health care costs are "beyond the benchmark growth rate of 2% per year". Growth in health insurance costs has historically been much higher than 2%. Retirees are not responsible for these increases, nor should they be held responsible by denying them the health care benefits they have earned through their government service. Retirees are in the same health care plan, and pay the same premiums as active employees. Retirees are not challenging the State's ability to remain economically competitive. Retirees, like active employees, are major contributors to New York's economy and should not be singled out for discriminatory treatment.

RPEA is relying on you, our elected representatives, to protect retiree health care benefits—to make sure that the promises made are promises kept.

*Thank you for allowing RPEA to testify on behalf of all public employee retirees.*