TESTIMONY IN SUPPORT OF SB 578

My name is Ann Heslin and I started work for the State of Maryland in 1970 when I was a recent college graduate. I worked for low wages with frequent furloughs and suffered through pay freezes for as much as five years straight. The only good reason to remain working for the State was the good benefits. The Health Benefits handbooks stated that retirees would have the same benefits as active employees. This was also stated in pre-retirement seminars. I always understood that this was part of our compensation and I wanted to make certain that my retirement years were as risk-free as possible without unaffordable medical expenses. Of course, the low State wages, led to lower average lifetime earnings when it was time for my Social Security benefits to be calculated.

I am testifying in support of SB 578. This is a Bill that would reverse the effects of the 2011 Budget Reconciliation legislation that eliminated the option for Medicare-eligible state retirees to participate in the State's Prescription Benefits program effective Fiscal 2020 and force them onto Medicare Part D for prescription coverage. SB 578 would be a fair settlement of the Fitch, el al lawsuit against the State for eliminating those Prescription Benefits. The Federal District Court Judge in that case, Judge Peter Messitte ruled in late December 2021 that Medicare-eligible retirees who retired from the State prior to January 1, 2019 <u>DID</u> have a contractual guarantee of State Prescription Benefits throughout their retirement and should continue to receive such benefits. The State has appealed that ruling, as have Parties, Fitch, et al and AFSCME. Fitch, el and AFSCME are fighting for these benefits to be based on when someone started work with the State, not when they retired from the State. There are many people who could have retired years ago and be eligible, according to Messitte's decision, but are unfairly penalized for continuing to work 40 or more years for the State.

My husband and I cannot go back and sign up for prescription coverage through his work with the federal government because he was not using those benefits when he retired. I worked for decades for the State of Maryland as a social worker, primarily doing CPS, Foster Care and Family Preservation, including After-Hours Coverage for nights, weekends and many major holidays.

A major factor in deciding to permanently reduce my pension by selecting a double annuity was so that my husband could continue to enjoy the good State health benefits, including prescription insurance coverage, if I predeceased him. The fact that I gave up something in order to get something certainly sounds as though it is a contract to me.

Medicare Part D does not provide anything close to the prescription insurance coverage that has been provided to retired State employees. It does not cover as many medications, including a medication that I take. It does not cover prescription medications used for anorexia, weight gain, weight loss, relief from cough or cold drugs, or sexual or erectile dysfunction. Different Part D plans provide vastly different price supports for medications. If the State were to provide a prescription benefit that caps out-of-pocket costs for Medicare-eligible retirees, as under the previously passed Maryland State Retiree Prescription Drug Coverage Program and the Catastrophic Prescription Drug Assistance Program, retirees are able to select a Part D plan that costs less per month, but charges a high amount for prescriptions. Under the Retiree Prescription Drug Assistance Program with a cap of $1500 per year for out of pocket prescription costs, the State would reimburse costs over that amount no matter how high the costs are, so there is no incentive to choose a plan that provides better coverage for costs. The Medicare Part D Plan Finder offered me a choice of plans with a total annual cost for my covered ongoing medications of over $5,000 per year to over $26,000 per year. That does not include medications that are used for brief periods because there is no way to calculate such costs using the Plan Finder.

If the State finds that the health benefits provided to employees and retirees are too expensive for the State, I feel it is only fair to change policies for new or not yet vested employees, rather than forcing retirees to choose between bankruptcy or not taking life-saving medications. If medical conditions are untreated, health insurance usage will increase and raise those costs for the State. The State has a huge surplus and the full funding of SB 578 would only cost the State less than 0.02% of the State Budget. Eventually, the State's cost for this program would become zero, as retirees and their dependents die.

Previous objections to providing prescription benefits to retirees included that such costs might affect the State's AAA Bond rating, but the GASB, which provides such credit ratings, stated that retirees should not be cut off from such benefits, instead, there should be prefunding of those benefits by the State making deposits into the Other Post Employment Benefits (OPEB) account. The accumulated interest in that account, if consistently funded, would further reduce costs for the State, but the State has not made any deposits in that account since 2009. Georgia, Texas, North Carolina and Delaware all have unfunded OPEB liabilities that are significantly larger than Maryland's, but they have all maintained their AAA Bond ratings.

The State's current prescription insurance for Medicare-eligible retirees and their dependents is an EGWP (Employer Group Waiver Program) which incorporates Medicare Part D, but provides more coverage with lesser costs for the retiree. By using a EGWP the State receives a significant amount of reimbursement for costs from the Federal Government. Combining the Federal Government reimbursement and the insurance premiums paid by retirees for their EGWP coverage, the State is only paying 38% of the cost of the program. It is not clear from the Fiscal Note whether those Federal Government reimbursements and retiree insurance premiums, revenue for the State, are counted in the estimated $5.7 billion long-term liabilities for the State. During previous testimony in Annapolis, It was unclear whether the State was just happily counting those contributions from the Federal Government and from the retirees' premiums as revenue and then, counting the full cost of the EGWP program in calculating liabilities.

The costs to Medicare-eligible State retirees under individual Medicare Part D plans would be vastly more than under the current group EGWP program. State retirees earned these benefits as part of their overall contractually promised compensation. State employees would never have accepted the comparatively low wages, contrasted with federal, county and private industry salaries for similar work, if it were not for the promise of good health benefits. State employees wanted assurance that when retired, they could afford to pay for needed health benefits even if they developed a high cost medical condition.

The State faces a difficult situation hiring and keeping employees in the current economic climate. That fact should reinforce to the State that you can't run State services with competent staff and not provide adequate compensation to those staff. The State's action in stabbing their former employees in the back by sneakily stealing employee hard-earned compensation during those workers' weakest, most vulnerable years will send a strong message to prospective new employees. Who wants to go to work for an organization that promises compensation and then takes that away in order to spend funds that would have gone to them elsewhere in the State Budget?

The State passed the legislation that eliminated prescription benefits for Medicare-eligible state retirees in 2011 but didn't inform the 90,000 retirees and their dependents until 2018. Employees who sustained an employment-connected disability forcing early retirement were especially aggrieved, including some who had court ordered settlements that included having all health benefits for life. Not many employees and retirees who would be impacted by the 2011 change and not even many lawmakers who voted for the legislation noticed the language that made that change because it was buried in the overall Budget legislation. Not many legislators back in 2011 were made aware of how severely this legislation would impact retirees' financial security. They were told that Medicare Part D would offer comparable prescription coverage, but that is untrue.

Now is the time to right this wrong that was done to the elderly and the disabled former state workers, including those who worked as police officers, correctional officers, university staff, state hospital staff, parole and probation staff, judicial staff and many more who gave the best years of their lives working hard in comparatively low paying jobs for the State. They deserve your vote for SB 578.

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