Council 3 AFSCME MARYLAND

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Patrick Moran – President

HB 670-State Prescription Drug Benefits – Retirees
Appropriations Committee
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Favorable

On behalf of AFSCME Maryland members and retirees, I urge you to support HB 670 by Senator McKay. This bill would allow employees and retirees who were hired before July 1, 2011, to remain in the State's Retiree Prescription Drug Plan. The reasoning of the bill is that those hired before the 2011 legislation had every expectation that the promises made when they were hired would be kept and that they and their dependents, upon becoming eligible for Medicare Part D, would remain in the State's plan.

Retirees find the retroactive taking of this benefit to be unfair. But it's also unaffordable for thousands of them. The average monthly pension benefit for state retirees is $1541. (SRA Annual Comprehensive Financial Report). Many retirees before 2011 have significantly lower benefits.

The transfer of retirees to Medicare Part D not only transfers costs to Medicare, but it also transfers significant costs to retirees. Look how Medicare Part D works for a retiree. To determine the best plan, a retiree enters a list of the medicines they take. Medicare then provides a list of plans. The retiree can then choose the plan that is the cheapest. At least that's the theory. The problem is that the plans vary in the costs of the (1) deductible, the (2) premium the (3) co-pays and the (4) formulary. If one of the elements is lower, then the others are higher.

Deductibles can be as high as $545, and many plans (including the ones with the lowest annual expense) require that deductible. Retirees would go from a no-deductible plan to a plan that requires paying the full cost of the medicine up to $545. Then, although medicine in the state plan can only cost up to $50, full cost of medicines can be hundreds per month. Retirees can't afford that.

Copays kick in after the deductibles are met. Depending on the f**ormulary**, and the tier on the formulary, copays can run from a few dollars to over a hundred dollars. That is assuming the medicine is even on the formulary.

Formularies in Medicare Part D cover fewer medicines than the state plan. That not only means retirees must pay the full cost of these medicines, but those expenses are also not included in the out-of-pocket maximum.

Out-of-Pocket Maximums Thanks to recent federal legislation, the out-of-pocket maximum in 2025 will be $2000 per individual/ $4000 per couple. These amounts are still 30% greater than the State's plan ($1500 per individual and $2000 per couple).   But it is even worse. Non-formulary, full-cost medicines, are not even included in the amount.

We believe that requiring retirees to move to Medicare Part D will result in greater mortality, higher hospitalizations, and, as a result, higher costs to the state.

For these reasons, we ask for favorable support on HB 670.