SB 0349 State Prescription Drug Plan

On February 21, 2024, I mailed a letter to each member of the Senate, requesting Senate support for passage of SB 0349; thereby maintaining the prescription drug coverage for retirees as it existed at the time many employees retired in 2011. That letter explained, from a retiree's viewpoint, the fiscal hardships imposed on the retiree should the State discontinue State sponsored prescription drug coverage for retirees. The letter questioned if the State would actually reduce health care expenditures once the State's subsidy for the existing prescription coverage is stopped and new provisions, established in accord with the related 2019 legislation, for the State to establish a spending account intended to assist retirees with the cost of replacement prescription drug coverage; implement regulations related catastrophic prescription drug coverage and life-sustaining drug coverage, which include identifying covered medications and spending limits.

During active State service, I, as many other State employees, planned retirement based on mandatory retirement plan contributions; the continuation of State sponsored health care including hospitalization, doctors, dental, and prescription drug coverage; Social Security; and, eventually Medicare. Some employees were fortunate enough to invest to supplement retirement income. Employees had time to work all these factors into their individual retirement plan and, eventually, be able to afford to retire. Eliminating the State sponsorship of prescription drug program coverage strips a retired employee of a significant benefit and poses a substantial financial hardship replacing prescription drug coverage.

As you are aware, circa 2019, when the move to eliminate the State's prescription drug coverage for retirees was being implemented, a civil action was filed. Two decisions resulted, the first was for the plaintiff requiring the State to continue prescription coverage for those who retired before 2011; and the second overturned the lower court decision finding the State had no obligation to continue to provide a retiree with prescription drug coverage.

The following comments are based on the Maryland State Police (MSP) Retirement system (sworn law enforcement employees, Troopers). A Trooper must be, at least 21 years old when graduating the MSP academy. Simplistically, 21 (years old) plus 25 (years as a Trooper) means a Trooper is 46 years old when eligible (does not mean they do) to retire. Counting backwards from 2011 (the year, established by the original court decision after which a Trooper retires, that the State's obligation for prescription drug coverage would no longer apply) makes a Trooper at least 21 years old graduating the academy in 1985. According to the Social Security Administration's Actuarial Life Table, the average life expectancy for a male is 75 years and 80 years for a female. If all 46 year old Troopers retired before July 2011, today they would be more than 58 years old. This means State sponsored prescription drug coverage would have to continue for, at least, another 17 years for a male, or 22 years for a female. The reality, most retired Troopers retired long before 2011 and, now are much closer to the average life expectancy. Every year there are less retired Troopers. The point, the State's obligation for retiree prescription drug coverage has an "expiration date."

Because Maryland State Troopers contribute through payroll deduction to a separate retirement system, a Trooper does not pay Federal Social Security Administration (SSA) tax. A detriment, because, upon retirement, a Trooper is not eligible for SSA income. To receive SSA income, a Trooper must comply with the SSA 40 quarter and related "substantial salary" requirements. If a Trooper meets SSA requirements and is eligible for SSA income because of employment outside of the State, the Trooper is penalized under the Windfall Elimination Protection (WEP) Act for not paying SSA taxes while employed by a non-contributing employer. Based on an SSA formula, that penalty may be up to $450 deducted from the monthly SSA payment. WEP is usually a "surprise" to those retirees. Personally, between WEP and Medicare Part B premiums, each month $624, over and above Federal taxes, is deducted from my SSA payment.

At age 65, an individual's primary health care provider automatically becomes Medicare, it is free, but it only covers health care providers, i.e. doctors. Hospitalization (Medicare Part B), prescription and supplemental medical insurance to deal with the many shortcomings in Medicare coverage all require additional premiums; through Medicare directly or approved Medicare supplemental programs. This happens whether employed or retired, receiving SSA income or not. Starting at 65 years old, my wife and I pay more for health care coverage than before we turned 65.

I am 75 years old. I retired from MSP in 2000 and subject to Medicare since 2013. I have paid monthly premiums for and have been covered under Maryland sponsored health care programs, including the prescription coverage, for 24 years. My wife and I have progressive health issues that require daily medication, which is currently affordable because of the existing prescription drug coverage. Retired means a fixed income, a condition threatened if the existing prescription drug coverage has to be replaced. According to a January 2023 report filed by the Department of Budget and Management, at the end of June 2022 there were 49,920 retired employees, or their surviving dependents covered by the State's prescription drug program. I, as well as the other retired State employees, do not need an artificially imposed financial burden to add to the otherwise naturally occurring life issues associated with aging in an inflationary economy.

Unfortunately, many retirees are no longer with us. But, there are retiree dependents who remain. They face reduced income based on available survivor benefits, SSA income and retirement plan provisions. These survivors will find it more difficult to deal with the increased cost of replacing prescription drug coverage at this later stage of life. I, knowingly, speak for my wife and myself, and can only assume, based on what I have read, there are many retired State employees, spouses and dependents who, some more than others, will feel the burden of losing their retiree's Prescription Drug coverage.

A previous administration felt justified, without a proper understanding of and respect for the significant adverse impact on retired State employees, eliminating a long-standing health care benefit. This administration has the opportunity to do right thing and correct that impropriety by supporting the favorable processing and eventual passage of SB 0349; thereby, preserving the continuance of the State Prescription Drug Program for Retires.

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