

**Written Testimony Submitted to
the Maryland Senate Budget and Taxation Committee
By Thomas W. Abrams, PhD, Professor, University of Maryland School of Medicine
and Vice-Chair Council of University System Faculty**

**SB 349
State Prescription Drug Benefits – Retirees
February 28, 2024**

FAVORABLE

I am Tom Abrams, and I have been a professor at the University of Maryland School of Medicine for nearly 3 decades. I am currently the Vice-chair of the Council of University System Faculty (CUSF), which serves as an advisory body to USM Chancellor Perman and includes faculty from all USM campuses.

CUSF voted unanimously to recommend that the Prescription Drug Benefit for State Retirees should be continued, and should be available to all State of Maryland long-term employees in the future (see attached resolution). We understand that prefunding of a trust for this benefit, which is the recommended funding mechanism, was terminated a decade ago. The funds deposited in the previous years were then used for the State operating budget. It would be unfortunate for retirees to lose this promised benefit, increasing the health care costs for many of these individuals. If retirees' experience increased health challenges, there will be unanticipated medical expenses for the State.

To accomplish the continuation of this benefit, the CUSF subcommittee addressing the retiree prescription drug benefit, sought ways to extend the benefit. We understand that there are substantial discrepancies among the estimates of costs for maintaining this benefit, and also of the financial impact that retirees would experience should they lose the benefit – this impact varies dramatically depending on an individual's specific medical conditions. But of course, none of us can predict when we will have health challenges

We have a few recommendations at this point:

- 1) A one year extension (possibly slightly longer) to allow time for accurate assessment of the cost to retirees of the termination of the Prescription Drug Benefit. These predictions have been quite imprecise and actually vary by several fold. Predictions of the current cost of this benefit to the State are also highly variable, and more accurate numbers are needed.
- 2) A new replacement benefit involving the creation of a prescription drug supplemental insurance plan for retirees that is subsidized by the state, but which retirees enroll in and for which they pay premiums. The insurance plan would be a supplement to Medicare Part D. These premiums could scale with income, so that the lowest income retirees have minimal premiums

In conclusion, I support the passage of SB 349.



Retiree Drug Benefits Resolution

passed by CUSF 18-0-0

(18 aye, 0 nay, 0 abstentions) on February 7, 2024

Whereas the Council of University System Faculty (CUSF or the Council) consists of faculty representatives elected by the faculties of the constituent institutions of the University System of Maryland (USM) to represent USM faculty.

Whereas, the Council is concerned about the impact of the termination of the SilverScript Prescription Drug Benefits for State of Maryland retirees scheduled to occur on January 1, 2025.

Whereas, the Council agrees that all State employees, when they retire, should be provided with the Maryland Prescription Drug Benefit. This benefit functions as a wrap-around plan that supplements a retiree's Medicare Part D Prescription Drug Insurance Plan. (This current benefit provides coverage of prescription drugs for retirees that is comparable to the drug benefit for active employees.)

Whereas, the termination of this benefit will compromise the financial stability of many retired long-term state employees because their out-of-pocket costs will increase substantially.

Whereas, Medicare Part D Prescription Drug Plans only cover individuals, the Maryland SilverScript wrap-around plan is a family plan which covers spouses.

Whereas, if there is no supplemental wrap-around plan, the retiree in many cases must cover the entire cost, which will not count toward the out-of-pocket cap. It appears that the State has failed to comprehend the serious financial and health impacts of the loss of this benefit for retirees.

Whereas, the actuarial calculations done by the State of Maryland appear to be cursory, and overestimate the State's actual cost because they neglect to include a number of essential factors. Various analyses suggest that the annual cost to the State of this wrap-around prescription drug benefit is relatively modest.

Whereas, employees who devoted their careers in service to Maryland, working the required number of years to earn retirement benefits, deserve to have this promised benefit honored.

Whereas, there are approximately 50,000 State retirees, the majority of whom are Maryland voters.

The Council therefore resolves: We recommend that the current Maryland Retiree Prescription Drug benefit be extended for at least one additional year, until January 2026.

We recommend that during this time, the State conduct a systematic and thorough evaluation of the financial impact on retirees of the loss of this promised benefit.

Finally, the Council recommends that the State of Maryland conduct an accurate evaluation of the State's annual cost for this supplemental benefit.