MD letter re SB0349 and HB0670.pdf
Uploaded by: A. Charles Catania
Position: FAV

Feb 27, 2024

Dear Senator McKay and others concerned re SB0349 and HB0670:

You've no doubt received many variations on a template message about drug benefits for retirees, so I won't use it and I'll keep my message brief. It's about trust and it's truly humanitarian issues. I won't mention money and budget because I could afford higher taxes and I'd much rather see tax increases or other budgetary changes than an addition to the complications in the lives of the tens of thousands of us retirees who would be impacted by the loss of our drug benefits.

These days, in spite of news about the economy, more and more constituents throughout the country are losing trust in government. One good reason is that government often breaks its promises. For whatever reasons, Maryland broke its promise of drug coverage to us retirees, and it even seems to have done so surreptitiously (many of us learned about it only fairly recently). Please restore our trust by strongly supporting this bill and giving us what we were promised.

I came to Maryland to teach at UMBC in 1973. Though I'm officially retired, I remain professionally active, and I believe what I do still contributes to my campus and to the State. But I'd have hoped the State wouldn't have acted to detract from the quality of my life and my wife's. We're both in our late 80's, and it's enough that we've had to worry about COVID and climate and medical issues and so much else these days. There's no assurance that any of the promised measures to ameliorate the change from the State drug plan to Medicare Part D would pass (after all, our trust about State promises being fulfilled has already been violated). If we were your parents or your grandparents would you subject them to the uincertainties of this loss of coverage? My wife and I already lose enough of our remaining time to bureaucracy (how many cumulative hours have we lost waiting on hold to ask a vital question), and we've heard enough from others who've had to navigate Medicare drug plans that I dread the prospect. To the extent I can, I'd like to remain productive without such enormous distractions. I've served the great State for more than half a century, and my wife and I urge you to support this bill and give us the peace of mind of the continued drug benefits that we were promised when we came here.

Thank you for your time and attention,

Sincerely,

A. Charles Catania, Professor Emeritus, UMBC

10545 Rivulet Row, Columbia, MD 21044

Phone: 410-730-6949; cell: 443-745-0945

Email: catania@umbc.edu

TESTIMONY OF ALAN BARR IN SUPPORT OF SB 349.pdf
Uploaded by: Alan Barr
Position: FAV

TESTIMONY OF ALAN BARR IN SUPPORT OF SB 349

My name is Alan Barr, I respectfully submit this testimony in support of SB 349 on my own behalf.

I was proud to work for the State of Maryland for over 30 years. I worked for the Office of the Attorney General until I retired on July 1, 2010. I worked diligently and skillfully to serve the people of Maryland.

Like many people who devoted their careers, I likely could have made more money working in the private sector. I relied on the social [and legal] contract under which the State would look after the needs of its people upon their retirement. Specifically, I was promised that I would be able to continue using all the State's benefits plans when I retired.

Regrettably, Maryland broke its promise. Unless the General Assembly acts, I will have to seek my own Medicare Part D pharmacy plan beginning in January, 2025. As a result, I will need to pay more money for less protection.

The Medicare Part D plans are not equivalent to the State pharmacy plan and we will be harmed by this change in my pharmacy coverage. I join others in pointing out the following important points:

- The list of drugs (the formulary) covered by the State pharmacy plan is much more extensive than the formulary of any Medicare Part D plan that is offered in Maryland. This means that we will have to pay the full cost of drugs that we take that are not on my plan's formulary.

- The Medicare cap on out-of-pocket costs does not include drugs not covered by Part D plans. The provisions of SB 946 that were created in 2019 to "ease my transition" also do not apply to drugs not on Part D plans' formularies. We will end up paying thousands of dollars more than we are paying now for the medications we need.

- The annual cost of the State retiree prescription benefit is only 0.2% of the State's General Fund Budget.

- Concerns about the long-term viability of this program are overstated. The retiree prescription plan represents only about 13% of the State's long-term liability for other post-employment benefits (OPEB). Ending the benefit cannot be expected to have a significant effect on the State's financial situation or bond rating.

I ask the Committee to report favorably on SB 349 to restore our prescription benefits. I ask you to make sure that Maryland meets its obligations to its retirees, who faithfully served the State and the people of Maryland.

Respectfully submitted:
Alan Barr
7713 Matthias Street
Philadelphia, PA 19128
alanbarr@yahoo.com

February 24, 2024

2024 SB 349 State Prescription Drug Benefits - Ret

Uploaded by: angelo consoli

Position: FAV

Maryland State Lodge
FRATERNAL ORDER OF POLICE
8302 COVE ROAD, BALTIMORE, MD 21222

CLYDE BOATWRIGHT
STATE PRESIDENT

KENNY SCHUBERT
SECRETARY
EARL KRATSCH
TREASURER

February 25, 2024

SB 349 - State Prescription Drug Benefits – Retirees

Dear Chairman Guzzone and Distinguished Members of the Budget and Taxation Committee,

The Maryland State Fraternal Order of Police **SUPPORTS** Senate Bill 349 - **State Prescription Drug Benefits – Retirees.**

Effective December 31, 2024, the State intends to discontinue prescription drug benefits for Medicare–eligible retirees, Medicare–eligible spouses or surviving spouses of a retiree, and a Medicare–eligible dependent child or surviving dependent child of a retiree. **SB 349** will make it so that this new policy will only apply to a retiree who began State service on or after July 1, 2011.

The 2011 Pension Reform bill initially sought this change to retirees who qualified for Medicare Part D coverage to take effect in 2019. Delays, due to legal action, have brought us to now where the State is again attempting to negatively affect many retirees now that they are free from the legal challenges to this law. At issue though to the FOP, is that this law does not consider when the retiree was hired or what the terms of their benefits package that they agreed to were when they were hired. Prior to the 2011 Pension reform bill, employees were hired with the promise of specific pension and health benefits for life. This included the Prescription plan. To remove the benefit that was promised we feel is a breech of that contract and a disservice to those that have faithfully served the State and fulfilled their obligations to qualify for those lifetime benefits. For those hired after the Pension Reform of 2011, while we don't agree with this change, understand that these employees would have known or been told to expect the changes that they now face.

A second issue that will now be compounded without passage of **SB 349** is that the State, did not have some Law Enforcement Officers pay into social security while they were actively employed. They will now fall prey to the windfall elimination provision (WEP) and have a smaller social security benefit than other State retirees that did have jobs that the State had pay into social security. This difference will cause hardship and a differing consequence to different retirees across that State making for an unfair and different benefit for each retiree group. All at a time when they are living on fixed incomes and increase to their mandatory expenses can have detrimental effects. For many retirees, if **SB 349** is not enacted, the change alone will bring higher costs for their prescriptions and will also come at a time when they are receiving smaller social security benefits than other retirees due to the WEP.

On behalf of the more than 20,000 Courageous Men and Women of the Maryland Fraternal Order of Police we thank you for your support and ask for your **FAVORABLE** vote on **Senate Bill 349 - State Prescription Drug Benefits – Retirees.**

Angelo L. Consoli Jr,
2nd Vice President, FOP, Maryland State Lodge
President, FOP Lodge 89, Prince George's County

Prescription Plan.pdf
Uploaded by: Betsy Bridgett
Position: FAV

February 27, 2024

Senate Bill 349 and House Bill 670

I am a registered nurse who worked 30 years for the state of MD and I am writing to request support of the house bills to reinstate our prescription drug plan. If the prescription drug plan is not reinstated I will have to pay $8000.00 dollars out of pocket before the state of MD would assist with prescriptions. That is 1/3rd of my retirement and I can only image 50% or more of those who made less than I did. I was a dedicated state employee through the COVID pandemic, shelters for disasters, furloughs we experienced, years of a lack of salary increases and most of my state career was grossly underpaid in compassion to nurses working in the private sector. One reason I stayed committed was because even though I was making much less I would have good benefits in retirement when I would MOST need them. Now that I am in my sixties and when I will need better prescription coverage it had been taken from me. What is even more outrageous is that funds continued to be spent on undocumented immigrants who paid nothing into the system and came to this country illegally. Maryland state funds should first be used to provide services to those who work tirelessly for them and are actual citizens of this county and if money is left care given to foreigners. The priorities of this state are backwards.

This is no different than you being hired to paint a house and the conditions of payment agreed upon but after the house is completed you say "sorry" I am not going to pay you what we agreed upon but significantly less. If those benefits were going to be taken away it should not be from vested employees but those who can decide if they want to work for far less wages for subpar benefits.

I was an RN for 40 years, the director of nursing for a local health department, and have a Master's degree and my salary barely was over $100,000 when I retired in 2023. The average salary in Maryland for an RN with an MSN is $151,000 a year with top earners making an average salary of $388,000.

I am asking that you support reinstating what I earned. This is not a "handout" as I put in 30 years to receive these benefits.

Betsy Bridgett

443-975-1243

SB349_FAV_AFSCME.pdf
Uploaded by: Cindy Smalls
Position: FAV

SB349-State Prescription Drug Benefits – Retirees
Budget & Taxation Committee
February 28, 2024

Favorable

On behalf of AFSCME Maryland members and retirees, I urge you to support SB 349 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 SB 349.
Text goes here.

text.pdf
Uploaded by: Cynthia Dawson
Position: FAV

Maryland General Assembly,
Thank you for taking the time to present this letter. Recently I retired after 23 years of service with the State of MD. It is my hope you will understand and grandfather in the individuals that started before 2011 and gave the required amount of time that was needed to continue with our health and prescription coverage as was promised to us.

Personally, I worked two jobs as a nurse to make up for the low state salary to make a living wage for my entire 23 years. I did this because I wanted the benefits after retirement, otherwise I would have worked one job in the private sector.

Please strongly consider passing this legislation so we may keep the promised benefits.

Cynthia Dawson
3133 Copenhaver Rd
Street, MD 21154

Senate Bill 349.pdf
Uploaded by: Edward Hargadon
Position: FAV

Dear Chairman Guzzone and Members of the Committee,

I support Senate Bill 349.

This bill would stop the Department of Budget and Management from removing State retirees hired before 2011 from receiving the same prescription benefits we bargained for when we were hired. Effectively,when the law changed in 2011 to require all State retirees to go to Medicare Part D policies, those of us hired before the effective date of the change were not grandfathered in. This was and is simply unfair.

The financial impact of this change will be great on retirees. Prescriptions covered under the current State retiree benefits will need to increasingly be paid for out-of-pocket. This will mean hundreds of additional dollars per year for most of the 53,000 retirees, and even thousands of dollars in additional annual costs for many of us.

This issue has been the subject of a federal lawsuit; and the stay to the implementation of this change, which was in effect for several years, was recently lifted. So the issue is now back in the legislature's court.

As State employees, we were provided certain retirement packages as an incentive to work for the State of Maryland. It is a part of how the State attracts qualified potential employees to come and work for our citizens.

In short, we had a "deal" when we were hired and it is not right for the State to go back on the deal.

Thank you..

Edward Hargadon, Maryland Retiree (2018)

valdoned@comcast.net

443-286-7162.

Testimony-SB0349_021024.pdf
Uploaded by: George Hall
Position: FAV

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.

George Hall
Major (Retired 2000)
Maryland Department of State Police
Director (Retired 2017)
Policy and Regulations
Department of Public Safety and Correctional Services

SB349_EMURIAN.pdf
Uploaded by: Henry Emurian
Position: FAV

3601 Greenway Unit 104
Baltimore, Maryland
21218

February 27, 2024

RE: SB349

TO: Senate Budget and Taxation Committee

FROM: Henry Emurian & Qiyin Emurian (Spouse)

When I was hired at UMBC in 1985, I was advised that I had to work for the state for 25 years to be eligible for medical, dental, and prescription drug benefits in retirement for my wife and me as when I was employed. At a Human Resources Department meeting before my retirement, this was emphasized. I completed the form for health benefits at the time of my retirement in 2015. Recently, I reviewed the form and noticed a statement there that the state could modify the benefits after the current year of retirement. I was not informed about that when I was hired or at the retirement meeting. It was unconscionable for the state not to have informed me of that matter when I was hired. I might have chosen not to work for the state had I known that my retirement health benefits could be modified or eliminated.

My wife's view is that it was fraudulent to give work duration guidelines and then eliminate health benefits in retirement. My wife is a former TV producer in China and social worker in Canada, and she has never heard of such a matter as this.

We urge you to support SB349.

emurian@umbc.edu

https://userpages.umbc.edu/~emurian/

written Testimony JNHawkins SB 349.pdf
Uploaded by: James Hawkins
Position: FAV

I am writing to ask you to support efforts to restore and maintain the Maryland State employee retiree prescription benefit. (SB 349). Maryland state legislature is following through with legislation which takes away prescription benefits from retired state of Maryland employees.

This is unfair.

Each retiree has different reasons for fighting the change but one that we have in common is that, when we were hired and throughout our employment, we were told and understood that the benefits we had as employees would continue into our retirement, in effect, as deferred compensation. This was a promise made to us which should be honored on both moral and legal grounds.

No other state has stripped retirees of benefit commitments retroactively.

On top of all that, U.S. Congress is considering reductions in Medicare funding and cutting Social Security benefits. Maryland is abandoning its commitment to retirees in favor of an uncertain program which is continually attacked by the Federal government. As it stands today, prescription costs under Medicare are well above those of the State's existing plan.

Both governments are working against retirees.

"To quote the Governmental Accounting Standards Board (GASB)".. "the GASB believes that the government has an obligation to pay Other Post-Employment Benefits (OPEB) based on the level of retirement benefits promised to an employee in exchange for his/her services." Now is the time for the General Assembly to do likewise. The cost of maintaining retiree prescription benefit only represents 0.02 percent of State expenditures. Continuing this benefit will have a negligible and decreasing impact on State budget priorities. The state has disproved its own bond rating claim since it has covered the State Plan benefit for the last three years and has not had its bond rating downgraded. In the most recent Standard & Poor's rating summary, there is no mention of OPEB costs. The rating agencies have never downgraded a state's bonds based solely on an unfunded OPEB liability. States with greater OPEB liabilities than Maryland have continued to maintain their triple-A bond ratings.

I retired from Maryland Transit Administration in May 2017 with 34 years of service. Upon retirement, I was informed of my rights and obligations when turning 65. One of which was the requirement to apply for Medicare. I was also informed I would have the right to maintain state health and prescription benefits as secondary. The Maryland Department of Budget and Management Notice of Creditable coverage also states that I have the right to maintain state health and prescription benefit. In keeping state health and prescription benefits in conjunction with Medicare I would have coverage like the coverage I have prior to becoming 65.

The legislature's actions to take away these rights will cause harm and jeopardize my financial wellbeing by increasing my costs related to my diabetes care. (I am type 1 currently managing with an insulin pump).

Part of the enjoyment of service for Maryland Transit Administration was experiencing the good health and prescription benefits offered.

Don't take that away.

James Hawkins 14420 Curvin Drive Stewartstown, PA 17363 jtsbl@yahoo.com 717-487-7582

Kirk_letter-SB0349_Mike_McKay.pdf
Uploaded by: James Kirk
Position: FAV

Re: SB0349 “State Prescription Drug Benefits – Retirees”

Dear Senator McKay:

My name is James A Kirk, and I worked for 26 years as a State of Maryland employee from 1972 until my retirement in 1998. I am now 79 and one of the retirees significantly affected by the loss of state prescription drug benefits.

Passage of SB0349 into law will be a lifesaver for me. **I am requesting your support in this legislative session to pass SB0349 into law.** It is an well-designed and cost effective solution to achieve the goal of grandfathering in those retirees who began their employment before July 2011.

Background:

On February 7, 2024, I received a letter from the Maryland Department of Budget and Management informing me **that my current state-supported prescription drug coverage would end on December 31, 2024**. Indeed, around 45,000 retirees from the State Government were hired before 2011 and will lose this drug coverage at the end of 2024**. We will then have to depend on the far less satisfactory and FAR more costly Medicare D unless the Maryland State Legislature and the Governor act this session to provide us relief.**

When I was hired as a Maryland State employee in 1972, I was promised that I could continue receiving all the State health benefits when I retired. I considered this a significant benefit, and I planned for my retirement, assuming this was a non-revocable commitment by the State. Alas, Maryland changed their intent, and I will have to seek my own Medicare Part D pharmacy plan beginning in January 2025. The Medicare Part D plans are far from equivalent to the State pharmacy plan. **I will be significantly harmed by this change in my pharmacy coverage financially and potentially medically if I cannot afford the required medications.**

On a personal note, I considered the Maryland prescription drug benefits a no-hassle lifetime benefit, something I would not have to worry about in retirement**. I budgeted retirement savings assuming we had this lifetime benefit,** and now it will be taken away as our end-of-life expiration date comes closer**. We are older, and our minds are not as agile, so shopping for a prescription benefit plan using formulary lists that change from year to year is not something we ever expected to do, and this scares us to the point of shortening our lives with worry.**

I say this for several reasons:

- The list of drugs (the formulary) covered by the State pharmacy plan is much more extensive than the formulary of any Medicare Part D plan, thereby ensuring that no matter the medications I must take, the likelihood is high that the state system will cover the costs. However, with Medicare D, I will have to pay the full cost of drugs that I take that are not on my plan’s formulary, and most Medicare D plans are very

incomplete in what they cover.

- The Medicare cap on out-of-pocket costs for Medicare D does not include drugs not covered by Part D plans. The provisions of SB 946 that were created in 2019 to "ease my transition" also do not apply to drugs not on Part D plans' formularies of the plan that I might choose. Thus, I will end up paying thousands of dollars more than I am paying now for medications that I need.

- The injunction in the *Fitch et al. vs. Maryland et al.* lawsuit that continued our benefits since 2018 was dissolved by the court in July 2023. This allows the State to proceed with its plan to remove prescription benefits despite the commitment made to employees when they were hired.

- The annual cost of the State retiree prescription benefit is only 0.2% of the State's General Fund Budget. This is a tiny amount for the State to pay to cover its long-term and loyal employees.

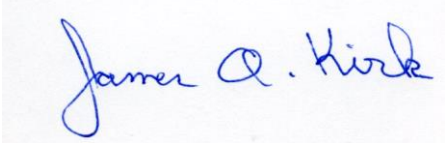
- Concerns about the long-term liability of this program to the State are overstated. The retiree prescription plan represents only about 13% of the State's long-term liability for other post-employment benefits (OPEB). Ending the benefit cannot be expected to affect the State's financial situation or bond rating significantly.

- Since this change only affects pre-2011 hires who retired before 2019, **the pool of people who need to be carried under the current state plan will not only stay stable but will also decline in the coming years.** Thus, the cost to the State will decline substantially over the next few years. At the same time, continuing these 45,000 people with the current plan reflects the intangible promises made to them as they worked tirelessly for the good of our state.

In conclusion, we need action to restore our prescription benefits and keep the promises the State made to us when we were hired. It is morally and ethically wrong for the State to renege on these promises and SB0349 is an elegant solution for retirees.

Thank you for considering this request.

Sincerely yours,



James A Kirk
2869 NE 24th PL
Fort Lauderdale, FL 33305

James Roberts Testimony SB 349 - Senate Budget and

Uploaded by: James Roberts

Position: FAV

Senate Bill 349 – State Prescription Drug Benefits – Retirees
Senate Budget and Taxation Committee
February 28, 2024
Testimony of James C. Roberts

Favorable

My name is James C. Roberts, Ph.D. I retired from Towson University on July 1, 2022 after 33 years of service to the State of Maryland. During my employment, I was a professor of political science, Chairperson of the Department of Political Science, and Director of International Studies.

I testify today to support passage of Senate Bill 349 to restore prescription benefits for Medicare-eligible State retirees who were hired before July 1, 2011

Medicare Part D is not Equivalent to the State Retiree Prescription Plan

The State claims that Medicare Part D is equivalent to the State Retiree Prescription Plan and that Part D might even save money for the retirees. Unfortunately, these claims do not take into account all the issues that will affect retirees as they move to Medicare Part D.

The following issues must be considered when the comparing Medicare Part D and the State Retiree Prescription Plan:

- The list of drugs (formulary) for the State Retiree Prescription Plan is much more extensive than the formulary for any of the Medicare Part D plans available in Maryland.
    - The retiree must pay the <u>entire</u> cost of drugs not covered by the retiree's formulary.
    - The costs of drugs not covered by the retiree's formulary are not included in the State or Medicare caps on out-of-pocket expenses.

- Retirees currently pay a co-pay of $20, $50, or $80 per 90 day supply of drugs covered under the State Retiree Prescription Plan, depending on the tier of the drug. Many Medicare Part D plans charge a co-insurance for drugs that is a percentage of the total cost of the drug. Retirees will end up paying very high prices for expensive drugs on Medicare Part D.

- The State Retiree Prescription Plan offers a family option that covers the retiree's spouse or other family members. Medicare only offers single user plans. Family members currently covered under a retiree's State plan will each have to get their own separate prescription plans.

The difference in formularies is a critical part of the extra expense that retirees will pay on Part D. Figure 1 contains comparisons of Medicare Part D for plans that were made using the Medicare.gov comparison tool. The comparisons are based on the prescribed medications of a 70 year old State retiree with Type II Diabetes and Psoriatic Arthritis. The costs are based on the test subject's actual prescriptions. The estimates for the Maryland SilverScript Employer plan were derived from actual

costs of drugs and benefits from the plan as stated in the Evidence of Coverage. The comparisons are only for coverage year 2024.

Figure 1. Comparison of the Nineteen 2024 Medicare Part D Plans Available in Montgomery County Maryland

					Covered Drugs												
Medicare Part D Plans	**Monthly Premium**	**Annual Cost Drugs + Premium**	**Deductible**	**Difference * between Part D Plan and the State Plan**	**Carvedilol**	**Farxiga**	**Fenofibric Acid**	**Folic Acid**	**Valsartan**	**Tresiba**	**Metformin**	**Methotrexate**	**Mounjaro**	**Novolog**	**Crestor**	**Spironolactone**	**# Drugs Covered**
AARP Medicare Rx Preferred From UHC	**$103.00**	**$6,429**	**$0**	**$3,720**		x	x		x	x	x	x	x	x	x	x	**10**
Humana Walmart Value Rx	$43.50	$8,154	$545	**$5,444**		x			x	x	x	x	x	x	x	x	**9**
Humana Basic Rx Plan	$44.40	$8,235	$545	**$5,526**		x			x	x	x	x	x	x	x	x	**9**
Humana Premier Rx Plan	$104.60	$8,467	$0	**$5,758**		x			x	x	x	x	x	x	x	x	**9**
Mutual of Omaha Rx Essential	$26.30	$14,784	$545	**$12,075**		x	x		x		x	x	x	x	x	x	**9**
SilverScript SmartSaver	$12.40	$16,802	$280	**$14,092**	x	x	x		x	x	x	x		x	x	x	**10**
SilverScript Plus	$113.40	$17,823	$200	**$15,114**	x	x	x	x	x	x	x	x		x	x	x	**11**
Wellcare Value Script	**$0.40**	**$18,293**	**$545**	**$15,583**	x	x	x		x	x	x	x	x		x	x	**10**
Wellcare Medicare Rx Value Plus	$78.90	$18,885	$0	**$16,176**	x	x	x		x	x	x	x	x		x	x	**10**
Clear Spring Health Value Rx	$25.80	$22,013	$545	**$19,304**		x	x		x	x	x	x	x		x	x	**9**
AARP Medicare Rx Walgreens from UHC	$54.20	$22,448	$410	**$19,739**		x			x	x	x	x		x	x	x	**8**
Wellcare Classic	$37.40	$24,122	$545	**$21,413**		x			x	x	x	x	x		x	x	**8**
Cigna Extra Rx	$69.10	$27,688	$145	**$24,978**	x		x		x	x	x	x	x		x	x	**9**
Cigna Saver Rx	$20.00	$29,914	$545	**$27,204**			x		x	x	x	x	x		x	x	**8**
Cigna Secure Rx	$41.40	$30,097	$545	**$27,388**			x		x	x	x	x	x		x	x	**8**
Mutual of Omaha Rx Premier	$84.60	$31,314	$349	**$28,604**		x			x		x	x		x	x	x	**7**
AAUP Medicare Rx Saver from UHC	$62.40	$31,530	$545	**$28,820**		x			x	x	x	x		x	x	x	**8**
SilverScript Choice	$42.50	$33,799	$545	**$31,089**	x	x	x		x	x	x	x			x	x	**9**
Mutual of Omaha Rx Plus	$89.10	$52,306	$545	**$49,597**			x		x		x	x			x	x	**6**
Maryland SilverScript Employer Plan	**$53.28**	**$2,709**	**$0**		**x**	**x**	**x**		**x**	**x**	**x**	**x**	**x**	**x**	**x**	**x**	**11**

* The comparisons in this table are for 2024. In 2025, Medicare will cap individual out-of-pocket expenses at $2,000 and the State will cap out-of-pocket expenses at $1,500 for individuals and $2,000 for families. Since the differences in total annual costs are mostly due to non-covered drugs that are not included in these caps, the caps will not significantly affect the differences between the Part D plans and the State plan.

Figure 1 illustrates that even the AARP plan, which is the Medicare Part D plan with the lowest annual expense, will cost this retiree $3,720 more than the State Retiree Prescription Plan. The reason for this difference is the cost of the drugs not covered by the Part D plans.

Figure 1 also illustrates the pitfalls that retirees may encounter when choosing a Part D Plan. Retirees may be lured into purchasing a Part D plan with very low monthly premiums, such as the Wellcare Value Script Plan. This, however, will result in dramatically higher annual costs because the cheaper plan covers fewer of the retiree's drugs.

Figure 2. Comparison of Carvedilol (Coreg) Costs Across Plans

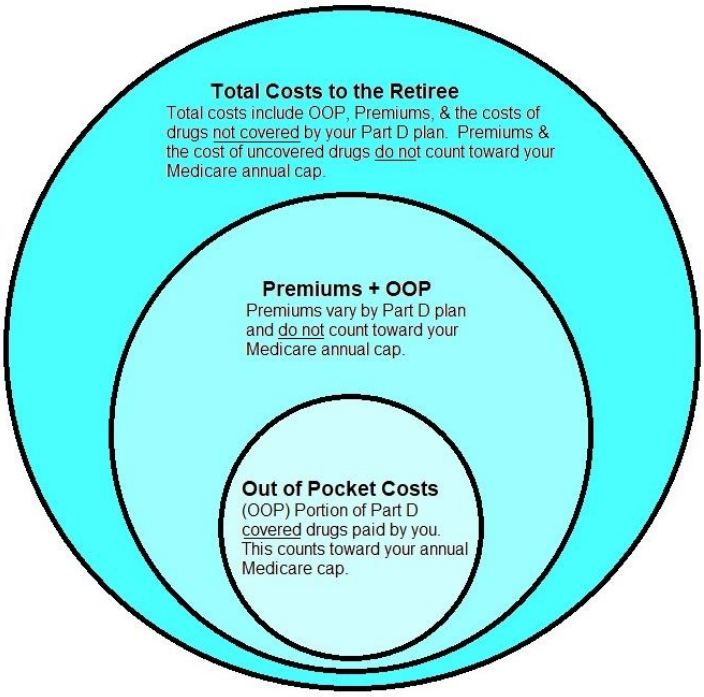
Plan	Covered?	Co-pay or Co-insurance	Annual Cost	Included in Cap?
AARP Medicare Preferred from UHC	No	n/a	$2,336	No
Wellcare Value Script	Yes	50% Co-insurance	$1,168	Yes
State SilverScript Employer Plan	Yes	$20 Co-pay	$80	Yes

The only drug not covered by the AARP plan, compared to the State SilverScript plan, is Carvedilol (Coreg). Drug prices vary by plan and by pharmacy, but one estimate of the annual cost of Carvedilol is $2,336. Figure 2 shows that the test retiree would have to pay that entire amount on the AARP plan and it would not be credited toward his Medicare or State cap on out-of-pocket expenses. If the retiree

chose the Wellcare Value Script Plan with the lowest monthly premium, he would pay $1,168 per year because the Wellcare Value Script plan uses a 50% coinsurance rather than a co-pay. On the State retiree prescription plan (SilverScript Employer), he would only pay the $20 for a 90 day supply for an annual cost of approximately $80.

Medicare and the State claim that out-of-pocket drug expenses will be capped beginning in 2025, but how are out-of-pocket expenses calculated? **Both the provisions of Senate Bill 946 (2019) and Medicare's definitions of out-of-pocket expenses only include expenses for drugs covered by the retiree's Part D plan.** If a retiree must take a drug not on the formulary, the retiree must pay the full cost of the drug and that cost is not included in the cap on out-of-pocket expenses. Figure 3 shows that that out-of-pocket expenses, as defined by the State and by Medicare, only account for a portion of the total costs that retirees must pay for their prescriptions.

Figure 3. Components of the Costs Paid by the Retiree



It is misleading to claim that "out-of-pocket" expenses will be capped by either the State or Medicare because these costs only account for a portion of the total expenses that must be paid by the retiree. Only the costs associated with purchasing covered drugs are included in caps on "out-of-pocket" expenses as defined by the State plan or Medicare Part D. The other costs shown in figure 3 - premiums, deductibles, and the costs of uncovered drugs - must be borne by the retiree and are not credited toward the State or Medicare caps.

Medicare Part D is not equivalent to the State Retiree Prescription Plan because the State plan offers a family option while Medicare only offers single-person options. Under Medicare Part D, families will have to obtain separate prescription plans for the retiree and each family member currently covered under the State Retiree Prescription Plan. **Switching from a family plan to individual Part D plans could double or more the total costs faced by families.**

The State claims that the provisions of Senate Bill 946 passed in 2019 will ease the transition to Medicare Part D, but these provisions are woefully inadequate to make up for the fact that Medicare Part D is not equivalent to the State plan.

- The provisions of SB 946 do not apply to Medicare-eligible retirees who retired after January 1, 2020. This excludes ALL current State employees who were hired before July 2011.
- Both the Medicare and the State caps on out-of-pocket expenses do not include major components of the retiree's actual expenses for prescriptions, as I stated above.
- SB 946 includes a provision for paying for "life-sustaining" drugs, but the State has not offered any definition of which drugs will be considered life-sustaining and the provision is poorly written. The legislation states that the State will reimburse the out-of-pocket expenses for retirees if a life-sustaining drug is not on their Part D formulary but the drug is on the State formulary. By the definition of out-of-pocket expenses used by Medicare, if a drug is not on the Part D formulary, the retiree must pay the full price of the drug and that price is not counted as an out-of-pocket expense so the retiree will receive no reimbursement.

Questions that Must be Answered and a Path Forward

There are many unanswered questions that should be addressed before action is taken to eliminate the State Retiree Prescription Benefit Plan for Medicare-eligible retirees.

- What will be the total costs to retirees of moving from the State Retiree Prescription Plan to Medicare Part D plans - including the costs of drugs not covered by the retiree's formulary?

- How many family members of Medicare-eligible members of the State Retiree Prescription plan will have to find their own individual plans under Part D?

- What will be the increased costs to families that must find individual Part D plans compared to their current costs under the State plan?

- How many **current** State employees hired before July 2011 will lose their State prescription benefits when they retire? These numbers have not been included in the estimates of the effects of this policy and these employees have not been notified that they will lose their benefits.

- Why are retirees and employees who were hired before July 2011 and did not retire before January 2020 not included in State efforts to ease the transition to Medicare Part D?

One path forward would be to delay termination of the State Retiree Prescription Plan until a study can be conducted that can answer these and other questions that are key to this issue.

This Committee can refer the matter for a Summer Study. The study panel should include experts on Medicare, State budget officials, and, most importantly, representatives of State retirees.

2 28 2024 SB 349.pdf
Uploaded by: Jane Wolfson
Position: FAV

Dear Chairman Guzzone, Vice Chair Rosapepe, and Committee Members:

My name is Jane L. Wolfson. I came to Towson University in 1998 to establish and direct the interdisciplinary Environmental Science and Studies Program for graduate and undergraduate students that spanned 4 independent colleges at the University. I retired from the State on June 30, 2016.

Senate Bill 349 should receive a favorable report, reinstating the prescription drug benefit for State Medicare-eligible retirees, which, before July 1, 2011, was part of the compensation package we received at the time of hiring. Doing so would be consistent with the 2004 Government Accounting Standing Board (GASB) Statement No. 45 recommendations which focused attention on the OBEP challenge faced by state and local governments. The GASB summary states (emphasis added)

> Postemployment benefits (OPEB as well as pensions) are part of an **exchange of salaries and benefits for employee services rendered**. Of the total benefits offered by employers to attract and retain qualified employees, some benefits, including salaries and active-employee healthcare, are taken while the employees are in active service, **whereas other benefits, including post-employment healthcare and other OPEB, are taken after the employees' services have ended**. Nevertheless, **both types of benefits constitute compensation** for employee services.

This clearly states that the 2011 Maryland Legislation that retroactively cancelled the State's promised prescription benefits were effectively taking funds that no longer rightfully belonged to the State. This might be the reason that Maryland is the ONLY jurisdiction that has retroactively canceled OPEB benefits.

The 2011 change in policy was not public knowledge until implementation was attempted in 2018, at which time retirees expressed outrage and distress. Outrage, because they had honorably and dutifully remained with the State through years of low salaries and salary freezes, no merit increases, no cost-of-living increases, and furloughs because of the promised security in retirement. I and my fellow state employees accepted below-market salaries during our employment because of the assurance provided by deferred retirement benefits. Distress, because they counted on the State to live up its promises. They did their work for the State with honor and expected the State to similarly honor its obligations to them.

The widespread outrage in response to the 2018 notification of change in benefit eligibility and the realization about what this change would mean for a secure retirement, resulted in the *Fitch v. State of Maryland* lawsuit filed in 2018. It also led, in 2019 to the hastily drafted and passed SB 946, an honest attempt by legislators to ameliorate the impact of the loss of prescription drug benefits on previously covered retirees.

SB 946 was signed into law by then Governor Hogan becoming 2019 Chapter 767. SB 946 appears to have been developed in 2019 in response to two main drivers: the distress being expressed to legislators by impacted retirees and the surprise on the part of legislators that this change in policy had ever happened! The prescription drug benefits were rescinded by

some phrases in the middle of the 147-page Budget Reconciliation Act of 2011; an easy item to miss if you were in the legislature at the time and certainly if you were elected afterwards. Unfortunately, SB 946 fails in its mission to ameliorate the impact in various ways and new legislation is needed.

The drafters of SB 946 believed the claim that Medicare D was equivalent to the State Prescription plan. This equivalency is demonstrably false. Every Medicare D plan has a formulary that lists covered drugs. The State Prescription Drug plan also has a formulary. The difference lies in the extent of the formulary. The State plan has a highly inclusive listing of drugs whereas the Medicare D plan formularies are very limited. Any drug prescribed for a retiree that is not in a retiree's selected Medicare D plan is paid for in full by the retiree. In order to fully "reap" the benefits of a Medicare D plan you either need to require almost no medications or allow your Medicare D plan program administrator to serve as your prescribing physician swapping one drug formulation for another without regard to their efficacy or how well they address your ailment; no one should be asked to do that.

One provision of SB 946 was to continue to cap the so-called "out-of-pocket" prescription drug expenses at the same level as provided by the State prescription plan, i.e., $1,500 rather than the Medicare cap. Unfortunately, this provision which is "attempting" to protect retirees does not do so because of two problems. One is the definition of "out-of-pocket" (OOP) that Medicare established. To qualify as an OOP expense, a cost must be associated with a drug included in the formulary of the selected plan. If a drug is not included on that selected plan's formulary, any retiree-borne cost associated with it is not included in the calculation of OOP. The retiree is on their own to pay for these additional expenses out of their limited income.

The second problem arises from the type of plan being offered by Medicare. The State prescription coverage can include the retiree or the retiree along with a spouse and/or family. Medicare Part D plans are all individual plans. With the State plan, an individual OOP limit is $1,500 and the family OOP limit $2,000. With Medicare D, a retiree and a Medicare-eligible spouse will, in 2025, have two $2,000 OOP caps. New legislation is needed to provide the support to retirees that, legislators hoped, SB 946 would provide.

The State and members of the leadership continue to claim that "most retirees should experience little, if any, changes in out-of-pocket prescription drug costs. Many could even see lower costs," but they offer no evidence how this could happen. When I do a plan-by-plan comparison, my costs go up significantly. Part of the cost issue is the different 'types' of cost of the medication in Medicare Part D plans vs the State plan. With the State plan, costs depend on the tier of the drug and co-payments that range between $20 and $80 for a 90-day prescription. Medicare D plans are co-insurance plans for which, except for the cheapest generics, the enrollee has to pay a certain percentage of the cost of the drug, from 20% to 50% so costs increase as prescription prices rise. Most plans also have a hefty deductible.

Below is a table of total medication cost comparisons developed by a colleague using the current prescription needs of an actual Maryland State retiree. Those making the 'same or lower cost' statement have never done the comparison. Please note that the least expensive plan is about $4,000 more than this retiree's current costs on the State plan. New legislation is

needed, legislation to restore benefits, even if just in the short term, while new, more equitable and financially viable legislation is developed.

Comparison of the Nineteen 2024 Medicare Part D Plans Available in Montgomery County Maryland

The following comparisons of Medicare Part D plans were made using the Medicare.gov comparison tool. The comparisons are based on the actual information of a 70 year old man with Type II Diabetes and Psoriatic Arthritis. The costs are based on the drugs actually taken by the test subject.. The take home pay is his actual income derived from his State of Maryland Pension and Social Security benfits. The estimates for the Maryland SilverScript Employer plan were derived from actual costs of drugs and benefits from the plan as stated in the Evidence of Coverage.

Annual Take Home Pay: $82,644

					Covered Drugs															
Medicare Part D Plans	**Monthly Premium**	**Annual Cost Drugs + Premium**	**Deductible**	**Star Rating**	**Carvedilol**	**Farxiga**	**Fenofibric Acid**	**Folic Acid**	**Valsartan**	**Tresiba**	**Metformin**	**Methotrexate**	**Mounjaro**	**Novolog**	**Crestor**	**Spironolactone**	**# Drugs Covered**	**Enter Coverage Gap**	**Leave Coverage Gap**	**Months in Gap**	**Costs as % of Take Home**
AARP Medicare Rx Preferred From UHC	**$103.00**	**$6,429**	**$0**	**3.5**		**x**	**x**		**x**	**x**	**x**	**x**	**x**	**x**	**x**	**x**	**10**	**March**	**July**	4	**7.8%**
Humana Walmart Value Rx	$43.50	$8,154	$545	3.0		x			x	x	x	x	x	x	x	x	9	March	June	3	9.9%
Humana Basic Rx Plan	$44.40	$8,235	$545	3.0		x			x	x	x	x	x	x	x	x	9	March	June	3	10.0%
Humana Premier Rx Plan	$104.60	$8,467	$0	3.0		x			x	x	x	x	x	x	x	x	9	March	July	4	10.2%
Mutual of Omaha Rx Essential	$26.30	$14,784	$545	1.5		x	x		x		x	x	x	x	x	x	9	March	June	3	17.9%
SilverScript SmartSaver	**$12.40**	**$16,802**	**$280**	**3.0**	**x**	**x**	**x**		**x**	**x**	**x**	**x**		**x**	**x**	**x**	**10**	**March**	**August**	5	**20.3%**
SilverScript Plus	$113.40	$17,823	$200	3.0	x	x	x	x	x	x	x	x		x	x	x	11	March	September	6	21.6%
Wellcare Value Script	$0.40	$18,293	$545	3.5	x	x	x		x	x	x	x	x		x	x	10	April	September	5	22.1%
Wellcare Medicare Rx Value Plus	$78.90	$18,885	$0	3.5	x	x	x		x	x	x	x	x		x	x	10	April	October	6	22.9%
Clear Spring Health Value Rx	$25.80	$22,013	$545	0.0		x	x		x	x	x	x	x		x	x	9	April	August	4	26.6%
AARP Medicare Rx Walgreens from UHC	$54.20	$22,448	$410	3.0		x			x	x	x	x		x	x	x	8	March	September	6	27.2%
Wellcare Classic	$37.40	$24,122	$545	3.5		x			x	x	x	x	x		x	x	8	April	September	5	29.2%
Cigna Extra Rx	$69.10	$27,688	$145	2.5	x		x		x	x	x	x	x		x	x	9	May	November	6	33.5%
Cigna Saver Rx	$20.00	$29,914	$545	2.5			x		x	x	x	x	x		x	x	8	May	November	6	36.2%
Cigna Secure Rx	$41.40	$30,097	$545	2.5			x		x	x	x	x	x		x	x	8	May	December	7	36.4%
Mutual of Omaha Rx Premier	$84.60	$31,314	$349	1.5		x			x		x	x		x	x	x	7	April	September	5	37.9%
AAUP Medicare Rx Saver from UHC	$62.40	$31,530	$545	3.0		x			x	x	x	x		x	x	x	8	March	September	6	38.2%
SilverScript Choice	$42.50	$33,799	$545	3.0	x	x	x		x	x	x	x			x	x	9	April	November	7	40.9%
Mutual of Omaha Rx Plus	$89.10	$52,306	$545	1.5			x		x		x	x			x	x	6	Never	Never	0	63.3%
Maryland SilverScript Employer Plan	**$53.28**	**$2,709**	**$0**	**n/a**	**x**	**x**	**x**		**x**	**x**	**x**	**x**	**x**	**x**	**x**	**x**	**11**	**No Coverage Gap**			3.3%

When evaluating and selecting plans using the Medicare.gov website, one only sees the results of queries for specific drugs one is currently taking. There is no way to evaluate the comprehensiveness of a particular plan's formulary so one can judge whether a particular Part D plan might protect against future, currently unknown, prescription needs.

The 2019 SB 946 legislation promised "life-sustaining drugs" to retirees hired before July 2011 but does not define what life-sustaining means. Who gets to define life-sustaining? Medicare? The Legislature? My medical team? How can retirees appreciate this offer if they have no idea what it means and how can DBM administer a benefit that is undefined? But there are other complications. Yes, Medicare-eligible retirees are concerned about sustaining life, but they are also very concerned about medications that can preserve their quality of life while they are alive. The current debate about SB 443, End-of-life Option Act, often focuses on a patient ending their life prematurely. As an older member of the community who has witnessed friends and family die, I can say with confidence, that there is more to living than just being alive and medications that maintain quality of life are often key. SB 946 and the law arising from it offers nothing in this arena. New legislation is needed, legislation to restore benefits, even if just in the short term, while new, more equitable and financially viable legislation is developed.

Not only is the definition of "life-sustaining" missing from the legislation, just what drugs might be covered is also very confusing. A document shared by the Dept of Legislative

Services in the fall of 2023 regarding the change in prescription drug coverage, reads "The Maryland State Retiree Life-Sustaining Prescription Drug Assistance Program will reimburse a Part D recipient for OOP costs for a life-sustaining medication that is covered by the State plan but is not covered under the individual's Medicare prescription drug plan" (DLS Talking Points, prepared October 2023, pg. 2). Please note that according to this document, the declared intent of this program is to provide medications that are NOT on an individual's Medicare prescription plan, but the phrase OOP is defined by Medicare as only costs sustained for drugs that are on one's selected Part D plan formulary. This is an internal contradiction in a program that is supposed to make retirees feel as if the State is being supportive. New legislation is needed, legislation to restore benefits, even if just in the short term, while new, more equitable and financially viable legislation is developed.

For reasons I cannot understand, SB 946 also declared that only those pre-July 2011 hired individuals who were retired or retiring during the year it was passed, 2019, would be covered by the provisions of the bill. What possible logic could explain that a retiree who served for 55 years but who didn't retire until 2021 should be excluded from the benefit being offered to ameliorate the crisis? This is unconscionable. New legislation is needed, legislation to restore benefits, even if just in the short term, while new, more equitable and financially viable legislation is developed.

Conversations with legislators and their staffs over the past 5 years strongly suggest that many of them were very unaware of the change that was passed in 2011 and are equally unaware of the original promise. Those who know something about the change seem to think that Medicare Part D is equivalent to the State prescription coverage which, as I explained earlier, is not the case. People who do not understand the ramifications of their votes need to be educated about the financial impact of this change in benefits and the additional costs to a state retiree whose average pension is $1,541 a month. We have given many of our productive years to the State and would like to remain in the state, but Maryland is an expensive state to live in and this loss of prescription benefits represents a real dollar cost to retirees. New legislation is needed, legislation to restore benefits, even if just in the short term, while new, more equitable and financially viable legislation is developed.

When I was offered a position with the State, I considered what I could offer it and what it offered to me. I was impressed by the retirement package realizing that it offered me a 'safe landing' as I aged. I worked to uphold my end of our employment agreement and fully expected, when I retired in 2016, that the State would similarly uphold its commitment. This change has upended my safe landing and that of all other State retirees.

I urge you to support SB 349. Passing this bill could solve the immediate problem by restoring the original promised State prescription benefits. Passing it could also provide time to develop a more equitable, financially viable and just plan for retirees while reducing the financial burden on the State. New legislation could cover all those hired before July 2011 and remove the penalty for service to the state, past Jan 1, 2020, that currently exists. The population that is being impacted by the loss of promised prescription benefits is an older population and our demands on the State for benefits will diminish as mortality reduces our numbers and our costs to the State drop to zero.

In summary, the current law, 2019 Chapter 767, attempts to ameliorate the retroactive revocation of promised prescription benefits for Medicare-eligible retirees, but it fails to do so in several ways. It sidesteps the guidance of GASB 45 as to what population of employees should be targeted by policy changes addressing OPEB. The law presumes that the replacement coverage by Medicare D plans is equivalent to the State Prescription Drug plan: it is not. It arbitrarily excluded retirees who retired after January 1, 2020 regardless of when they were hired or how many years they worked. It attempts to create an Out-Of-Pocket cap to alleviate an excessive fiscal burden on Medicare-eligible retirees, but by adopting the language of Medicare, fails to do so. It created a program to cover "life-sustaining drugs" but fails to define them or identify who would define such a category at a later time. What is needed now is legislation that restores benefits while exploring options that will focus on date of hire rather than date of retirement, provide financial support for prescription drug purchases to Medicare-eligible retirees, thereby acknowledging their loyalty to the State during its earlier financial hard times.

I respectfully request that this Committee issue a favorable report on Senate Bill 349.

Jane L. Wolfson, Ph.D.
Professor Emerita
Towson University

Written Testimony in support of SB 349.pdf
Uploaded by: Jeff Myers
Position: FAV

Jeff Myers
3 Streamside Lane
Timonium Maryland 21093

Written Testimony in support of SB 349: Pharmaceutical Benefit for Retired State Employees

Please vote for SB 349 to correct the State's retroactive and unfair elimination of a pharmaceutical benefit that State employees have counted on for decades while planning for and living through their retirement years. At the very least, the benefit should be retained for retirees who were hired before July 1, 2011 and had vested into the retiree health benefit plan before retiring, e.g., had at least 16 years of service.

(Full disclosure: I am a State retiree hired before July 1 2011 with over 16 years of service—in fact, 36 years plus.)

While eliminating the benefit for a future class of employees is debatable given what are generally recognized as lower salaries received by State employees, retroactively axing it from long serving employees was and remains simply wrong. (Although a court has said that the promise of this benefit in retirement does not amount to a constitutionally protected contract, as legislators you know there can be a wide gap between what is legal and what is wrong.) The State has reduced employee benefits in the past, but never retroactively.

You have been provided a detailed analysis of how we got into this mess by William Kahn and others. That analysis also explains why maintaining the benefit will not cost the State very much when considering the overall budget. When doing the right thing costs so little in terms of the overall budget, it should be done.

The detailed analysis also explains that the costs claimed by DBM are exaggerated. While I do not have the expertise to analyze actuarial projections, the fact that there is a significant dispute about the costs should at least give the Senate pause. At the very least, the benefit program should be continued so these significant issues can be properly and thoroughly vetted by a more independent study that includes retirees.

I realize 2024 is not the best budget year for this cause, but State retirees served year after year through quite a few bad budget years, often without COLAs or step increases. While the timing on this is not optimal, action needs to occur in the 2024 General Assembly to keep the benefit from lapsing. It is not the retirees' fault that the court process concluded this fiscal year and not last year when finances were better.

Jeffrey Myers

MTA Favorable SB 349 2-28-24.pdf
Uploaded by: Jenna Sublett
Position: FAV

Maryland Troopers Association

INCORPORATED 1979

February 28, 2024

The Honorable Chair Guy Guzzone, and Members of the Senate Budget and Taxation Committee

RE: **SB 349 State Prescription Drug Benefits - Retirees**

POSITION: SUPPORT

The Maryland Troopers Association (MTA) has a membership strength of approximately 2,629 members of which 1,120 are active sworn Troopers involved in traffic and criminal enforcement throughout the State of Maryland.

Troopers entered their career with the promise that they would retain their benefits upon retirement. That is no longer promised to our members as of 2025. Our members, along with thousands of other retirees, are in a vulnerable position to pay for the increased costs of our prescription drugs.

Several members of the Maryland Troopers Association have voiced their concerns in letters below. I urge you to read each one of them to see just a small fraction of those that will be negatively impacted by the loss of coverage. We ask that you please consider the service that these men and women have done on behalf of the state, and pass this bill.

The Maryland Troopers Association strongly supports SB 349 and requests a favorable report.

Brian Blubaugh
President
Maryland Troopers Association

1300 REISTERSTOWN ROAD, PIKESVILLE, MARYLAND 21208 (410) 653-3885 1-800-TROOPER

E-mail: info@mdtroopers.org

Member of National Troopers Coalition

As a retired Maryland State Trooper, I am writing this letter on behalf of myself and other retirees that are faced with an upcoming loss of coverage to our Prescription Drug Plan.

When we entered the law enforcement community to start our careers, salaries were miniscule, but we were promised benefits such as the Prescription Drug Plan for life when we joined the Maryland State Police. We are now told this coverage will come to an end in Fiscal Year 2024. As a result, this will mean all retirees will have to obtain Medicare Part D to provide some level of coverage for us and our families. Unless you are a member of Medicare and are experienced in that system, I'm not sure the impact of this change is truly understood by our legislators, because it is much more than simply changing coverage policies.

Many retirees have been on Medicare for years and have what are termed as pre-existing medical conditions. When signing up for a new Prescription Insurance Plan, these medical conditions are often not covered, and if they are, the coverage is usually cost prohibitive and can be financially devastating.

A large number of medications currently being taken by many of us in retirement age, are not available unless there is a generic substitute, meaning the drug can only be obtained at an outrageous out-of-pocket cost. Additionally, we have medically retired Troopers that were injured on the job, and due to those injuries live on a single State Police Pension and/or limited income. Many of these members will not be able to afford the additional costs associated with this loss and could lose the ability to purchase basic medications that will allow them to have simple quality of life functions.

My fellow state retirees are all in this unfortunate situation together through no fault of our own, and we desperately need your help. There will be several legislative bills that will be introduced to support the continuance of this coverage and we ask that you explore the possibility of assisting the sponsors in support of our need.

We answered the call for the citizens of Maryland for over twenty-five years. We, along with our families, endured physical and emotional duress, often under the most adverse conditions imaginable. "To protect and serve the citizens of Maryland" was more than a slogan to us during our careers, it was an oath of office that we took seriously and were proud to uphold throughout our years of service.

As senior citizens, now having to worry about whether we can afford basic medication puts an unimaginable emotional strain on us as we try to deal with the anxiety of potentially losing this benefit. Please help us, as we ask for your assistance and be a voice that supports securing our Prescription Drug Plan.

Thank you for your time,

Respectfully,
John Boyd

Dear Chairman Guzzone,

As a retired member of the Maryland State Police, (MSP) it is with true sadness that we learn of the lack of support to Maryland State Retirees pertaining to the loss of our prescription plan. We have heard the message time and time again about how this change should cause little, if any changes in out-of-pocket prescription drug costs, and that many could even see lower costs due to actions taken by the General Assembly. Unfortunately, despite our efforts to show the true impact of this decision, this is the verbiage that continues to be spread and heard, rather than the truth. This scripted response, which was apparently written by someone who has been either misinformed, uninformed, or who is purposely deceiving, surfaces daily when this topic is discussed.

Listed below are just a few of the complications involved with this policy that I'm very sure is not understood by many delegates supporting this action:

- Medications for pre-existing conditions are often not covered by new insurance companies, and if there is coverage the cost can be prohibitive and fiscally devastating. We have retirees that have been on Medicare for a decade or more and will be hard pressed to absorb these cost increases.
- Often, common medications taken by seniors are not covered unless there is a generic version to that drug which again, requires an out-of-pocket cost which is unaffordable.
- Many Troopers are living on a single pension, with no assistance from social security because they have been unable to achieve their required quarters due to our retirement system.
- Many drugs are not even on the list of prescriptions available when trying to enroll with an insurance company, which again creates an out-of-pocket cost.
- As a member of the MSP S.T.A.T.E Team (SWAT) for 23 years, we have Troopers that were so injured in the line of duty that they could not work a second career position. As a result, many exist on a single state pension, with a limited income due to those injuries. They too, will not be able to afford the medications they need for a simple quality of life existence.
- Once you enroll with an insurance company for prescription services, if you develop a condition that requires a medication not listed during your enrollment period, it will often require an out-of-pocket purchase until the following enrollment period.
- I personally have developed Leukemia from what my Doctors have told me in confidence is more than likely a result of the Covid vaccine. Due to the lack of cancer in my family history, and the immediate reaction of the lymph nodes after the second vaccination shot, they feel certain it was the cause of CLL. Upon checking with Medicare and their review of potential RX coverage companies, the cheapest cost I have found for my medication is $3,000.00 dollars a month. How is that affordable?

Many say the out-of-pocket cost is a non-issue because of the ceiling limit and proposed debit card for reimbursement. My question is, will there be a ceiling on this card? We have other retirees with the need for other medications that costs $14, 000.00 dollars a month, will that

type of cost be covered? Is there a “pay first, reimbursement later” policy? If so, what type of delay would be expected should we max out these cards while waiting for reimbursement?

There are many other issues that retirees will have to face, but in an effort to keep this letter brief, I will simply ask you or your staff to do the research. Please don’t simply rubberstamp or sign-off on this loss thinking it is a great deal for us, because it’s not. This loss has caused thousands of retiree households to be in a state of panic and worry, a condition none of us have caused, but will struggle to live with if you and your co-delegates allow this to happen.

The promise “To protect and serve” was more than a slogan to Troopers during our years of service. It was an oath of office that we took seriously and were proud to uphold throughout our career. We only ask that you help us, and our families maintain a simple level of dignity and peace of mind as we enter the twilight of our lives. Please support Bills HB 670 and SB 349, and help them move out of committee for a full hearing and review.

Should there be a desire by you or your staff to speak directly to me on this issue, please feel free to contact me at the number listed below.

Respectfully,

Jim Ballard

Maryland State Police

Retired

410-808-5068

P. S. FYI, every Trooper that has written their legislator on this issue has already received the form letter being disseminated by Speaker Adrienne Jones regarding this matter.

My name is James Forbes. I have lived in Edgemere Baltimore County for all my 66 years of life. I am a retired State of Maryland employee with 35 years of service. I served as a State Trooper for 28 years and 7 years with the Maryland Lottery.

When I was hired by the State Police, I was promised health benefits for life. I took a pay cut from my previous job to become a State Trooper. I was told, "you won't become rich, but the benefits will make up for the low salary." Over the years, when I didn't receive large pay increase, they said, "but the benefits are good."

I served the citizens for 35 years. I put my life on the line, day in and day out, never knowing if this would be the day something tragic would happen to me. I was proud to be a Trooper.

Currently, retirees are fighting to have our pharmacy plan remain the same as promised. I believe in, a promise is a promise; not something to be changed years later, by Governor O'Malley and the General Assembly.

Currently Senate Bill 349 is submitted and pending. I am asking for your support, to help this bill receive a favorable report and to be passed.

I depend on the current pharmacy plan as I require two prescriptions daily and my wife needs ten. With the changes that were made, I will not be able to afford all of the medicine and my wife may need to decide what medicines are most important or we need to cut back on food and other expenses.

I hope you will support the retirees and not support any attempts to give free health benefits to non-citizens living in Maryland.

U.S. citizens should come first. Especially those who served.

Sincerely,
James M Forbes, retired Maryland State Trooper

Senate Budget and Taxation Committee

Ref: Senate Bill 349

Subject: State Prescription Plan for Retirees

I am writing to thank you for your support in introducing this bill for a hearing. I joined the Maryland State Police in 1971 as a young man. I never required any routine daily prescription medication until 2020. Throughout my 37-year career, I contributed to and assumed the prescription medication plan would be available when needed. At 70 YOA I developed Arterial Fibrillation and was placed on several prescription medications that I will be taking for the rest of my life. I had a Hearth Ablation last year to correct the A-Fib. I now take four daily medications. One medication is $1500 every three months without our prescription plan.

My wife Diana (68 YOA) was diagnosed with Idiopathic Pulmonary Fibrosis (lung disease) in April 2022. She is currently on the Transplant list at the University of Maryland Hospital. The medical staff told us that if we didn't have our prescription plan her cost for just one medication would be $3000 per month after the transplant. Losing our current plan would be detrimental to our lives. Again, I thank you for your support and all the Senators to please vote for us to keep our current prescription plan.

Thank You,

A. Dean Richardson and Diana L. Richardson 3809 Jim Smith Lane New Windsor, Maryland 21776

Dear Senate President Ferguson,

I'm sure you are aware that the Prescription Drug Coverage for State Retirees, 65 years and older, will be changing next year. I retired on 1/1/2000 as a Maryland State Trooper with 26 years of honorable service. I have several health issues that are being managed with Prescription medicines. My doctors always tell me I can thank the state police for my health issues due to the stress and working conditions related to police work.

With the upcoming changes, legislation was passed under HB 946 to establish a subsidy to assist with Prescription Drug cost. I am requesting that you pressure DBM to fund the subsidy to the fullest possible amount. I compared my current cost of my State of Maryland Prescription Drug plan this year to possible Medicare Part D cost next year and my personal cost will increase at least $10,000 a year. Several prescriptions are not even covered by Medicare part D coverage.

I know that SB 349 and HB 670 are pending to reinstate the State Retiree Rx plan. PLEASE allow a vote on SB 349 and support the pending legislation.

Also, according to researchers at the University of Maryland, the Federal Government sends funding to the State because of the current Rx program for Medicare eligible retirees. The State will lose that Federal funding if the new program moves forward. They also report that the current Rx plan for retirees over 65 years of age only represents 2 tenths of 1 percent (0.2%) of the state budget.

I thank you for your kind attention to this matter. Stay Healthy,

Joseph Ryan

1914 Cypress Drive

Bel Air, Md 21015

Cell # 410-937-4740

I started in July of 1973 with MSP, starting salary was $8980, but you had a take home car and really good prescription coverage. At the time the prescription plan was not an issue until we started our family. Then we could see that it was a great plan. I retired in 1999, spent the entire time on the road in relatively good health. After retiring and moving to Florida, I was diagnosed with Type 2 Diabetes, and then recently had a heart attack and the blockage was removed and a stent put in place.

Now the prices of medications are out of sight for these issues without our prescription plan in place. I was promised these things when I took the oath to protect and serve for $8980.

I gave the citizens of Maryland my very best every day. Now they want to take it away from me and probably use it to fund the illegal immigrants health care how can legislators be so heartless!

Please keep our coverage in place….That Was The Contract I was promised'

Respectfully,

Willam R. Miller
MSP Class of 71'

My wife worked as a nurse for the Board of Education. It was a county job with a State of MD retirement. Some changes were made toward the end of her career as the Board was moving toward contracting with the local hospital for nurses. My wife didn't want to jeopardize her State retirement by going contractual so she switched employment to the Potomac Center which is a State facility for special needs individuals. So instead of being a Board of Ed employee with State retirement, she became a State employee. If she had known about the issue with prescription coverage there's a chance she would have explored positions with the Board of Ed(there were still nurses at some schools that were Board of Ed employees). If she had retired from Board of Ed instead of State of MD, we both would have had prescription coverage for life.
Just for your information.
Again, thanks for all the MSPAA's efforts.
Greg Johnston
Lt. (retired)

My name is Mary Cameron and I am a resident of Edgewater Maryland. My husband Retired Sergeant David Cameron worked for the Maryland State Police from July 1, 1973 till his retirement in January 1, 2005. He worked rotating shifts, 7 to 3, 3 to 11 and 11 to 7. Days, weekends, holidays, in the rain, in the snow, Spring, summer, fall, winter. He missed birthday's school events, Christmas and anniversaries. He had people scream at him, attempt to punch, kick or fight. He always did his job! He arrested numerous drunk drivers, intervened in many domestic disputes. He always did his job! Believing that the State of Maryland would honor their agreement and provide his retirement benefits from when he was first sworn in way back in 1973. After his retirement from MSP he continued to serve the State of Maryland and worked as a bailiff for The District Court in Calvert County. In 2020 with Covid closing down government offices, he was considered an essential employee and continued to work at the Maryland District Courthouse. He was hospitalized, with Covid, September 2, 2020 and died there on the 18th. He gave his life for this State. All he expected was Maryland to honor their agreement and continue his medical and prescription benefits when he was eligible for Medicare. As his widow I receive a portion of his retirement. I am 77 years old and on a fixed income. Losing the prescription coverage will be a great hardship for me. Please as my elected official, help protect the benefits promised to my husband and to the other retirees of the Maryland State Police.

Respectfully,
Mary Cameron
200 Bear Creek Parkway
Edgewater MD 21037
410.703.7974

My wife and I both have health problems. If the state does away with our prescription plan, I don't know how we'll make out financially. I kindly ask each of you to keep our plan for the benefit of retired Maryland State employees.

I thank each of you. May Almighty God, through Jesus Christ, continue to bless each of us.

H. Ron Presnell

B&T Testimony.pdf
Uploaded by: John Dedie
Position: FAV

Senate Budget and Taxation Committee
February 28, 2024
Testimony of John G. Dedie
Favorable

I am asking you to support reinstatement of the RX coverage for retired state employees, SB 349 and to support a committee vote for the full vote on the Senate floor before Crossover Day.

I am asking you to support reinstatement of prescription drug coverage for over **50,000** Maryland retired state employees. **No state has lost its AAA bond rating solely because of its OPEB liability. Prescription drug coverage for retirees over 65 is not the major factor concerning the bond rating agencies.** Last week I talked with Jack Archibald of the Fitch Ratings Agency in NY and he said ratings are based on a state's willingness to repay debt. Maryland has always been good at that.

The state's Retiree Rx drug plan for those Medicare-eligible is not a new budget cost. The benefit has been a pay-as-you-go part of the budget since the benefit was established. Continued since 2018 under court injunction with no impact on state operations. **No other state or local jurisdiction has made the elimination of Rx drug coverage retroactive.** As more retirees die the cost of this benefit will decline every year. DBM is attempting a rollout starting in October with workers and counselors on call lines who will assist state retirees through the process of selecting a Medicare Part D plan that best suits their prescription drug needs. This is being attempted in months, not years. Remember how overstaffed the government was on the Obamacare rollout and the Maryland State rollout in 2013 and how smoothly that went with the low bidders doing the work.

The total costs to most retirees will be significantly more than the *so-called* "out-of-pocket" costs. The coverage through Part D is terrible. The plans can add or drop coverage for drugs after you have selected a plan, and they can increase copayments on drugs. Part D is not comprehensive coverage. The donut hole does end for 2025, but there are deductibles that must be met before coverage occurs along with ongoing copays. Plus, you can only get a 30 day supply of medication. Many Seniors will be forced to pick between taking their RX and eating. I encourage you to ask your parents about their Medicare prescription history and cost.

People ask why it is hard to hire and retain state employes. When you take away their benefits over time, they seek other options. A state career was once security and great

benefits, now it’s just another job. We should not make this a rerun of what happened to Bethlehem Steel workers who lost their benefits like my late father-in-law.

Finally, opposing SB 349 is throwing Grandma and her grandchildren from the train. A mistake was made in 2011, in 2024 that mistake should be corrected. Even a summer study to refocus and examine the consequences of this would be an important move.

RXTestimony2-28-24.pdf
Uploaded by: Karen Fohner
Position: FAV

DBM Proposed FY2025 Budget Hearing **February 28, 2024**

Senate Budget and Taxation Committee

Written Testimony of Karen Fohner

Dear Chairman Guzzone, Vice Chair Rosapepe, and Members of the Committee,

There is a way forward to maintain prescription drug coverage for Medicare-eligible retirees and improve the State's posture in the eyes of the rating agencies. It will take the will to do so, and a reexamination of past assumptions that have blamed retirees for the State's OPEB liability for all these years.

Retirees over 65 are not the problem. Prescription coverage is not the largest component of Other Post-Employment Benefits (OPEB). The portion of the State's prescription drug coverage costs attributable to the State's Medicare-eligible retirees is smaller yet. Less than 15% of the total.

The prescription drug benefit for Medicare-eligible retirees is only a small part of OPEB costs and so is NOT a major contributor to the State's Other Post-Employment Benefits (OPEB) burden. It is NOT a threat to the State's important AAA bond rating.

The DLS analysis of DBM's FY25 proposed budget includes the State's actuary's estimate that restoring full State-funded prescription drug coverage for retirees would increase the liability by $8.9 billion. **But their basis, assumptions and calculations have never been analyzed.** DLS notes, "Any estimate of what the annual cost would be to pre-fund retiree health care costs is highly sensitive to the assumptions about how the plan would be designed. Decisions about the amortization period, the discount rate, and funding goals would have large effects on the contribution amount." This should be examined.

Additionally, based on the actuarial reports prepared for the State, it appears that the annual addition to Net OPEB Liability due to the retiree prescription plan is miniscule compared to the overall Net OPEB liability. AND the rating agencies have never downgraded a state's rating based solely on unfunded OPEB liability. The State's "pension funding discipline"- or lack thereof - is judged the greater threat to Maryland's bond rating.

In 2004 (after Medicare Part D was enacted as part of the Medicare Modernization Act of 2003), the General Assembly unanimously passed Chapter 296 (SB614), **"requiring the State Employee and Retiree Health and Welfare Benefits Program to include a prescription drug benefit plan for State retirees notwithstanding any changes in federal law permitting a state to discontinue prescription drug benefit plans for state retirees."** This fact has been lost in the fog of history as few in the General Assembly today were 'in the room where it happened.'

DBM Proposed FY2025 Budget Hearing **February 28, 2024**

Senate Budget and Taxation Committee

Written Testimony of Karen Fohner

The threat to the State's AAA bond rating related to OPEB is its decades-long failure to fund its OPEB trust fund. The issue of OPEB costs and liability is not about just the one component of OPEB - prescriptions (of which Medicare-eligible retiree prescriptions are just a small part). It's about ALL of the components of OPEB: medical, prescription, and dental.

Despite much expressed concern about the OPEB liability burden, the State effectively failed to do anything about it. This is not the fault of state retirees. Maryland failed to fund the OPEB Trust Fund for over a decade, even though pre-funding of the Trust Fund is what GASB guidelines recommend. Now, with last year's contribution of approximately $25 million to the OPEB Trust beyond the pay-as-you-go cost of $706,945,934, the State has taken a first step forward, as so many have recommended. It can build on that.

Most governments continue to fund their retiree health benefits on a "pay-as-you-go" basis even as they assess strategies to deal with escalating costs. Change the assumptions and stretch out the start and schedule for funding (as has been done more than once for funding the State's SRPS Pension Trust Fund), and what had appeared impossible and unaffordable could be feasible.

Many of you and your fellow-state representatives have reported receiving many calls and emails from your constituents on the subject of retirees' prescription drug benefits. That's because the 74.3% of State retirees who live in Maryland live in your districts. They spend their money in your districts. And they and their concerned friends and family members vote in your districts. State retirees are confident the General Assembly, with the support of the Governor and his administration, can address the valid concerns about the financial stability of the State while honoring its promise to those employees hired before July 1, 2011. By its actions, this Committee can accomplish both.

Thank you for your consideration in this matter,

Retiree, Karen Fohner

Programmer/Analyst, Maryland Transit Authority (MTA 1994-2001)

DBA, Maryland Department of Natural Resources (DNR 2001-2016)

SB349TestimonyB&T02282024Google Docs.pdf
Uploaded by: Kathlyn Miller
Position: FAV

Senate Budget and Taxation Committee
Senator Guy Guzzone, Chair
Senator Jim Rosapepe, Vice Chair

February 28, 2024

Favorable - SB0349

Dear Members of the Committee:

I am requesting a favorable vote on Senate Bill 349 and also asking you to consider delaying the cancellation of the State retiree prescription drug benefit for Medicare-eligible retirees until a summer study of this issue can be conducted to protect vulnerable retirees from this devastating loss.

The law, created by Chapter 767/SB946(2019), will remove Medicare-eligible retirees from the State plan and enroll those retirees in Medicare Part D effective January 1, 2025. Conversely, voting for SB0349 will cancel that transition and continue the State Prescription Plan for Medicare-eligible retirees.

Legislators say, “Most retirees should experience little, if any, changes in out-of-pocket prescription drug costs.” It’s not true. Retirees will have huge increases in drug costs. An administrative office has distributed this misleading, incomplete and therefore incorrect information to legislators. When will that office issue a retraction? The State will pay high medical bills when retirees stop taking medication and then end up in the Emergency Room. Some will die. Prescription drugs are cheaper than medical bills.

State retirees want the State to keep its promise. All Medicare-eligible retirees who were hired before July 2011, when the State stopped offering retiree prescription benefits to new employees, should be grandfathered in and continue to receive the combination State Prescription Drug Benefit Employee Group Waiver (EGWP) plan which is Part Medicare Part D and Part State funded, because Part D alone is inferior to the State EGWP plan.

The State EGWP combination plan has a robust formulary, otherwise known simply as the drug list. In contrast, each Medicare Part D plan’s drug list is unique, ***covering*** the minimum of two drugs per category. Retirees should enter their prescription drugs on Medicare.gov before choosing a plan to ensure the prescription drugs they take are covered.

When taking multiple drugs, the chance of having drugs **not** covered increases. Most Part D plans limit their drug list, even expensive plans. Canceling the State plan is going to hurt those who take multiple drugs. That may not be the intent, but it will be the result.

Only ***covered*** drugs included in the drug list of the Part D plan that the retiree selects will **count toward** out-of-pocket costs for the new 2025 Medicare Part D **$2,000 cap** that’s supposed to fix everything for retirees. All you need is one expensive **un**covered drug and you are doomed.

As an example, my husband had cancer and needed chemotherapy. Suddenly he had a blood clot and was prescribed a blood thinner, which the State Plan **covers for** a $50 copay for 90 days.

On the other hand, Part D charges coinsurance (20-50% of the **covered** drug cost.) It would cost $400-$1,000 every 90 days. That’s a minimum $350 difference between the State plan and Part D for one ***covered*** drug. Part D will cause a huge increase in **covered** drugs.

Even more, had the drug not been covered, he would have had to pay $2,000 for 90 days. Sometimes a cheaper substitute drug may be used and sometimes it cannot. But other blood thinners require frequent blood tests. He was barely well enough to take the chemotherapy treatment, much less the required additional blood tests. He needed this drug..

Last year, his prescription drugs on the **state plan cost $800+**. Next year with **Part D it will be $4,700**+. That's $1,200 more for covered drugs and $2,700+ more for uncovered drugs. To proclaim the $2,000 cap as the policy fix for retirees when someone has to pay $4700+, that's just plain wrong!

Another example: My neighbor will be 65 in October 2025. He will sign up for Part D, have a $590 deductible to meet, he won't be able to pay for his medication for Oct - Dec. If he survives, he will have to start over in January with a new larger deductible to meet, again he won't be able to pay for his medication. He is going from paying $588/year for prescriptions to $2,000/year which is a lot because he is just barely making it now. Since he retired after January 1, 2020, there is no help for him.

The state claims “they can't afford it.” Why would legislators think that fixed-income retirees will be able to afford this extra expense? I suspect that many retirees will stop taking medication when they are switched from the State plan to the Part D plan because they won't be able to afford it. This is not a good idea. When retirees can't pay for their drugs, some will turn to their families. Retirees and their families will suffer through Medicare Part D in 2025. The following year (2026) is an election year. Retirees will remember and their families will remember when they vote.

Table 1 -
As an example, let’s examine a Maryland Retiree’s options using his actual 2023 prescription drugs. We looked at the 19 possible 2024 Medicare Part D plan choices in Maryland. We selected the two most beneficial plans for this particular retiree. Humana had the lowest drug costs and Wellcare had the lowest premium. Please note that other retirees may find different plans that are more suitable for their needs determined by the prescription drugs they take.

In the first two rows (the pink rows) see the difference in premiums. Is the annual $4.80 lowest premium, Wellcare, the most affordable? Looking at the annual costs for his ***covered*** drugs. The Humana annual costs of $987.91 are less than half of the Wellcare costs of $2,241.39. Wellcare has a $545 deductible, but Humana does not. Our retiree has one prescription drug that is not on any Part D formulary. It’s ***not covered***. When we add the premium, the covered drugs, the deductible, and uncovered drugs, Humana costs less.

The third row (the blue row) shows the same Wellcare plan, but for the year 2025, combined with the Part D $2,000 cap for prescription drug costs including the deductible. The retiree must pay for his ***uncovered*** drugs. With the $2,000 cap, Wellcare costs less. Only drug costs (not premiums) are eligible for the $2,000 cap.

The fourth row (the yellow row) lists the actual out of pocket costs for 2023 for this retiree on our current State Plan. Notice all of this retiree’s drugs are ***covered*** on the State formulary. He has **no uncovered** drugs. The least expensive Wellcare plan, with the $2,000 cap, is more than three times as much as the State plan. For this retiree, Part D is **not comparable** and much more costly.

Vote Yes to SB349 to restore State retirees prescription drug benefit.

Table 1 - An example to consider: Actual 2023 Prescription Drug Costs for a MD Retiree

Plan Name	Annual Premium	Annual costs for copays or coinsurance for ***Covered*** Drugs	Annual Deductible	Annual Premium, ***Covered*** Drugs, plus Deductible	Annual cost of Drugs not on formulary (not covered)	Annual Premium, Covered Drugs, Deductible, plus Non-Covered Drugs
COSTS FOR TWO 2024 MEDICARE PART D PLANS (USING 2023 ACTUAL PRESCRIPTIONS)						
Humana Premier Rx Plan	$1,255.20	$987.91	$0	$2,243.11	$2,767.96	$5,011.07
Wellcare Value Script	$4.80	$2,241.39	**$545**	$2,791.19	$2,767.96	$5,554.34
COMPARING ANTICIPATED EXPENSES OF 2025 PLAN WITH LOWEST ANNUAL PREMIUM AND Medicare Part D $2,000 CAP						
Wellcare with the $2,000 Part D cap Including the deductible	$4.80	$2,000.00	~~$590~~		$2,767.96	$4,772.76
State of Maryland SilverScript Employer Plan Using 2023 Actual Costs	$639.36	$824.65	$0	$1,464.01	$0	$1,464.01

Anticipated prescription coverage changes for Retirees under Medicare Part D – only:

- Retirees must review their plan each year. Many plans change premiums, deductibles, formularies (drug lists), tiers and coinsurance each year. On the State plan retirees have one plan to choose from, it's the same plan each year, or any changes are handled by DBM. Under Part D some will pay less, many will pay more.
- The State plan charges copays. You pay either a copay of $20, $50, or $80 for the drug. if the drug is less than the copay, you pay the cost of the drug. Many Part D plans charge a coinsurance, 25-50% of the cost of the drug. That's a big difference sometimes adding hundreds for one prescription.
- Part D is an individual plan, the State plan is a family plan. This affects retirees' total costs. Each Medicare-eligible retiree must choose a plan. A married couple must each choose their plans separately.
- Under Part D in 2025, each individual has an out-of-pocket cap of $2,000. Under the State plan, out-of-pocket costs are capped at $1,500 for a retiree and $2,000 for a married couple/family if retired on or before January 1, 2020. Under Part D in 2025 a married couple may pay up to $2,000 each out-of-pocket, or $4,000. Only *covered* drugs count toward the cap.
- The majority of Part D plans have a deductible of $590 in 2025. The State plan has no deductible. A couple will have two deductibles (unless the retiree chooses a plan with a higher premium without a deductible).
- Each plan has a formulary. Retirees list drugs they are taking when choosing a plan, but their doctor might prescribe a drug later that is not on the formulary of the plan the retiree chose. Retirees would have to pay for the drug for the rest of that year, until they can choose a plan that covers it the following year. This is not an issue with the State plan. State coverage is better. The Silver Script Plan administered by CVS Caremark (State EGWP plan) that retirees use now will not be available as an individual plan. Only drugs on the formulary count toward the $2,000 out-of-pocket cap.
- Part D requires retirees to use the preferred pharmacy for the plan they choose. There is in network and out of network and then there is the preferred pharmacy. (The preferred pharmacy might be a chain). You must use the preferred pharmacy for the best price. The State plan does not require retirees to use a preferred pharmacy.

Please vote Yes to SB349 to restore State retirees prescription drug benefit.

Sincerely,

Kathlyn Miller
Retired after 20 years with UMBC
Catonsville, Maryland

SB0349 Testimony K. L. Sutphin.pdf
Uploaded by: Kathy Sutphin
Position: FAV

This is my testimony in ***FAVOR*** of SB 349, the bill proposed to reinstate prescription drug coverage for State of Maryland employees who were hired before July 1, 2011.

I am a retiree who was **EMPLOYED** by the State of Maryland on November 2, 1995, anticipating a fulfilling career and a secure future. I **WORKED** at UMBC for the 25 years required to ensure my husband and I would be eligible to receive State of MD retirement benefits. I **RETIRED** January 1, 2021, expecting to receive the retirement benefits that were established when hired. I was **BLIND-SIDED** by the delayed state legislation that dissolved my prescription coverage beginning January 1, 2025. I have been **PRAYING** that Maryland Legislators decide to honor the State's commitment to me and thousands of other retirees by restoring our prescription drug coverage during the Spring 2024 legislative session.

It is important that you understand that Medicare Part D plans are **NOT EQUIVALENT** to the State's pharmacy plan. Specifically, the list of drugs covered by the State pharmacy plan is much more extensive than the formularies of any of the Medicare Part D plan that are offered to Maryland residents. The State of Maryland extensive list is more likely to cover drugs prescribed over the course of the year for injuries or unexpected illnesses. My husband and I will be required to select individual prescription drug plans and meet individual deductibles instead of having a family plan. Differences in plans may require that we use different preferred pharmacies to get the best prices on our prescriptions. My husband and I will have to pay the full cost of any prescribed drugs that are not on our chosen plan's drug list and these expenses will NOT apply toward the Medicare cap on out-of-pocket costs. The selection process must be done each year as the plans change.

To explore the possible impact of the loss of our benefits and to practice selecting Part D plans, I used our 2023 lists of prescriptions to find the most affordable plan among the 19 Medicare options available within 25 miles of my Zip code in 2024. The task was complicated and, if I did it correctly, I found that we would pay at least $1,500 more for the most affordable Medicare Part D coverage from a preferred pharmacy located much farther from the pharmacy we use near our home. In 2023, we were both fairly healthy, but the predicted prescription costs could be much greater if one or both of us suffers a serious injury or illness, especially it if occurs after selecting our annual Medicare Part D plans.

To add insult to injury, I am not eligible for provisions of SB 946 that were created in 2019 to "ease the transition" because I retired on January 1, 2021, just after reaching the required minimum 25 years of service. I do not understand why I and other more recent retirees were excluded from this help.

PLEASE honor the State of Maryland's commitment to its retired workers by voting to restore our prescription drug benefits. I and many other State of Maryland retirees are counting on your support. Thank you for the opportunity to share my testimony.

Kathy Lee Sutphin
Taneytown, MD (Carroll County)

Nottingham Retirees Prescription Testimony.pdf
Uploaded by: Laura Nottingham
Position: FAV

Good morning Everyone,

I, Laura Nottingham, am a 32-year retired DHMH Administrative Officer and a 32-year member of MD Classified Employees (Aft Council). I am asking you to join me in support of SB 349 & HB 670 Retirees Prescription bill. I have called several of you, expressing my backing for the above. I have Graves Thyroid Disease, an autoimmune diagnosis, which currently requires medication as well as numerous blood monitoring. If the disease progresses negatively, I will need additional medication and possibly radiation treatments as it could affect major organs. I am currently using Methimazole to keep it under control. This is a deadly disease and has started affecting my energy level and skin. With the benefit of the subsidy, I am able to maintain the otherwise high cost of medications. This allotment is extremely valuable and is a major benefit. I ask that you continue this priceless and necessary asset now and in the years to come. As the high cost of medication arises, we really need your support and a vote in favor of this life-saving legislation.

We appreciate all of you who have already given us your support. Thank you so much for this opportunity to tell my story.

Sincerely,
Laura Nottingham

Blank 3.pdf
Uploaded by: Louise Dunton
Position: FAV

My husband and h a d a combined 42 years of state service before retiring in 2011/12. Starting a t entry level positions most of those years were low pay. During that time we visited a financial advisor suggested by the state and were told, you don't m a k e enough money, y o u n e e d t o get different jobs, you will never retire! But, we knew the benefits offered were more important than money in our pocket, s o w e stayed t h e course. Now, a t the age o f 69, when we need the prescription plan the most, we are losing this easy to use, cost effective, life saving benefit. I h a v e m a d e a Medicare account a n d entered t h e 1 3 medications my husband needs after a heart attack. Trying t o choose the best, cost effective plan that covers all of these medications from 26 different plans is very confusing. The o u t o f pocket costs vary greatly with each plan. Most have high deductibles. S o m e drugs a r e covered b u t only o n different p l a n s .

I a m asking the state to honor the agreement offered when w e were hired. We did our part. We put in the dedicated years.

Thank you for your time.

Louise Dunton

MillerMCEAsb349.pdf
Uploaded by: Marilyn Miller
Position: FAV

TESTIMONY FOR SENATE BILL 349

By Marilyn Miller, President Maryland Classified Employees Association

Senate Budget and Taxation Committee

Favorable

Good afternoon Mr. Chair and Members of the Senate Budget and Taxation Committee. My name is Marilyn Miller, President, Maryland Classified Employees Association, AFT Local 1935. MCEA represents approximately 1,100 retirees. I am here to testify for a favorable report for Senate Bill 349, the bill that will restore our prescription benefits that were promised to us when we decided to join the State of Maryland workforce. For most of us, that was the deciding factor in working 30+ years to secure those benefits in our older years.

If this bill is not passed, most of our retirees are over the age of 80 and do not understand the MEDICARE RX plans available. I am a retiree who would be moved to the proposed plan by the State of Maryland. The MEDICARE RX plan does not cover 3 of my six medications of which one of my medications is $6,076.79 per month. You ask why? This is due to my having a gall bladder issue in 2015 that caused my pancreas and liver to become infected. Therefore, I cannot take any medications that have the side effect of pancreatitis. This limits what medications I can be prescribed.

It should be noted that there are so many plans for MEDICARE RX that it is very confusing to say the least. Would you want this for

your elderly relatives who worked for the State for more than 30 years? I know I would not. I would want to protect what they were promised.

Please vote FOR this bill to show the State Retirees that their blood, sweat and tears for the years they were loyal to the State of Maryland have not been thrown out like an old newspaper.

Thank you for your time. Have a good day

Marilyn Miller, President
Maryland Classified Employees Association
AFT Local 1935
7127 Rutherford Road
Baltimore, MD 21244

SB 349 Testimony by MAV.pdf
Uploaded by: Mark Varner
Position: FAV

Supportive (FAV) Testimony for Senate Bill 349 (State Prescription Drug Benefits - Retirees)

Mark Varner
New Carrollton, MD 20784

Thank you for the opportunity to provide testimony in support of SB 349. I encourage each of you to vote in favor of this bill that is of grave importance to tens of thousands of retirees. My name is Mark Varner, and I retired after 30 years of continuous service to the State of Maryland. I live in New Carrollton, MD.

I'd like to share with you two key points for the Committee's consideration.

The first point is when I retired in 2011I asked the Director of Human Resources for our organization specifically if my prescription coverage would continue for my wife and I after I retired. He said, "Yes it will for both of you." I have some medical complications and the issue was a concern. As you consider your vote on SB 349, please note that this retiree was told by a responsible and expert Maryland State Employee that my prescription drug benefits would continue. I'm certain that I'm not the only person who was informed of this policy.

The second point is that communications from the Maryland Department of Management and Budget have suggested that the changes over to dropping off the State plan for prescription drug benefits would have little financial impact on retirees due to the cap for 'out-of-pocket' costs in Medicare Part D plans. I would like to share with you my best estimate on the financial impact my wife and I would face for 2025 if you do not vote in favor of SB 349.

I have compared the current State plan to this year's Medicare Part D that would be applicable to my case. The monthly cost of the program will more than double ($960 versus $2,100 annually). Even with the Medicare Part D out-of-pocket cap of $2,000 for 2025, my 'out-of-pocket' costs will be increased over 7-fold ($568 versus $4,000 annually).

Some of my needed medications are not covered by most Medicare Part D plans available to my wife and I. The medications that are covered by the plan are listed in the plan's "Formulary." Importantly, the medications that

are not in the Formulary covered by the Medicare Part D plan do not count towards the cap for the Medicare plan. That means that my ‘out-of-pocket' costs could be over $20,000 per year, and we will not know those costs until this coming fall during ‘Open Season.’

When considered together, the cost of the insurance and the ‘out-of-pocket’ for medications will be four-fold greater ($1,528 versus $6,100 annually). If the Formulary for available medications changes it could well be over $20,000 annually.

My wife and I are fixed-income retirees. Finding an extra $4,500 in our budget will be highly difficult to say nothing of an extra $20,000. I am certain that I am not the only dedicated former Maryland State employee who will face such a decision of what we will do without so that we can afford our medications.

Thank you for your time and consideration of SB 349. Please vote in favor of the bill.

testimony senate.pdf
Uploaded by: Martha Sprow
Position: FAV

Dear Senator:

Thank you for taking the time to read this letter. I will try to be brief.

Here are the steps I take to fill a prescription under the current State/Medicare hybrid prescription plan:

1. During open enrollment, log in: https://mymdbenefits.com/enrollment/
2. Confirm prescription coverage
3. Pay premium (I paid about $511 last year for myself)
4. See the doctor
5. Get a prescription
6. Go to the pharmacy, pay copay (I paid about $554 last year), go home with prescription.

Here are the steps that I will need to take for my prescriptions under Medicare D.

1. During open enrollment (October – December) each year go to https://www.medicare.gov/plan-compare
2. Create an account or log in
3. Follow directions to enter your name, address, etc. and all of your prescriptions
4. Choose the pharmacies or mail order you wish to review
5. Navigate the information on plans that is provided
6. Choose a plan
7. Pay your premium (mine would be about $496 per year)
8. See a doctor
9. Get a prescription
10. Go to the pharmacy, pay for drug costs (mine would be about $5446 per year after I met the $545 drug costs)
11. Pay for the prescriptions that are not covered by the Medicare D plan (I had 2 drugs that were not covered by Medicare but were covered under the State plan. This would total an additional $2109 out of pocket expense per year).

Imagine having to do this every year of your retirement! Imagine having to navigate this in your 60's, 70's, 80's, 90's. Imagine having to navigate this if you were in a nursing home, were suffering from dementia, were unfamiliar with computers, did not understand how Medicare worked. Did not have the income to pay for those "not covered drugs".

My total out of pocket cost per year under the state plan is about **$1065.** My total out of pocket cost for the same prescriptions under Medicare D will be **$8596.**

So answer me this, *is it really true that retirees will see little difference in their coverage?*
I think not.

Vote Yes for SB 349.

Thank you,
Martha Sprow
712 Cottonwood Dr.
Severna Park, MD 21146
240-626-4397

Last Plea to MGA (1).pdf
Uploaded by: Mary Smith
Position: FAV

Senate Budget and Taxation Committee
100 State Circle
Annapolis, Maryland 21401-1925

Re: **SB 349** **MD State Retirees Prescription RX Coverage**

As a disabled State of Maryland Retiree senior citizen, I urge you to reinstate the prescription drug coverage that was part of the retirement package that I choose when I retired, I had to leave the workplace on a disability in 1999 as my disease had became intolerable. The retirement package that I opted for was for a lower monthly pension amount, but it would keep all the health benefits that I had at the time for the remainder of my life. I retired well before 2011 when the RX coverage bill went through and if I knew this could possibly happen, I would have chosen a different plan retirement package. This employment benefit was promised to me when I was hired and again when I retired; I earned it, agreed on it and my husband and I have planned our lives accordingly. The Silver Script Medicare wrap-around Insurance picks up the majority of the drug costs and without this promised coverage, I along with many, many of Maryland's elderly, disabled retirees will be forced to discontinue our much needed medicine. This is a totally unethical disaster if it is allowed..
I have Multiple Sclerosis that is challenging mentally and physically progression keeps me from working at all to help offset this. To renege on this benefit because “we simply cannot afford it” and “it would be a threat to the state's AAA bond rating” is an exaggeration of facts and simply ludicrous. Funding for this benefit should have stayed in the fund that was created for it.
How can HR lie to retirees when they need this benefit the most and then quietly have it eliminated at a future date. The previous attempt with SB946 that would be overly expensive for me and ultimately does NOT equal the original compensation package. Example: My Medicare Part D with a State Subsidy for the year 2023 “out-of-Pocket costs” were $282.92 and the “Total drug costs” of $66,791.10
My age, my disease, and my limited income make this a health altering problem to myself and plenty of others. Without the State subsidy, none of the regular Medicare part D plans adequately replace it, so I for one, will not be able to continue my medicines PLEASE, PLEASE GIVE US BACK WHAT WE DESERVE. WE NEED YOUR SUPPORT-HELP-BLESSINGS-AND ***VOTE YES*** on **SB349** AND **pass it through!**

Respectfully,
Mary R. Smith
4729 Water Tank Road
Manchester, Maryland 21102
msmith456r@gmail.com

~written testimony.pdf
Uploaded by: Melody Bryant
Position: FAV

Dear Committee Members;

I am hoping to be a voice for myself and the people who can not attend the hearing. First we would like to thank you for your service to our great state and its constituents. Second we are asking you to vote YES to SB349.

We understand the need to decrease the cost of retirement benefits in the future. But we are asking you delete a certain group from that act.

We are asking you to protect those of us that:

● Entered state service before 2011

(when legislation was first introduced)

And

●Retired before 2020

(when legislation was to be implemented.)

We are the most vulnerable group of retirees.

● Many are older and have more health problems.

●Many of us have greater need for medication.

●We are the least able to find employment to offset the increased costs under Medicare Part D.

●Many of us are the group most challenged to understand and navigate the Medicare website.

We ask, not only for ourselves, but for those to old and or sick to speak for themselves.

We pray, you understand, the significant negative impact this will have on our group of retirees. And we pray you will support our cause.

We need YOUR help.

Please vote yes, to pass SB 349.

Respectfully submitted,

Melody Bryant

320 Church St

Brooklyn Park, MD 21225

443-763-0887

Prescription Plan MB.pdf
Uploaded by: Michael Bridgett
Position: FAV

February 27, 2024

Senate Bill 349 and House Bill 670

I am a certified registered nurse practitioner who worked over 30 years for the state of MD and I am writing to request support of the house bills to reinstate our prescription drug plan . If I would have worked in the private sector I would have made three times the amount of yearly salary that I had made working for the state of Maryland. I had chosen to stay with the state because I felt as if the benefits provided at retirement offset the difference in salary. If I would have known these benefits were not going to be there after putting in my 30 plus years I would have worked in the private sector and could have lived off of 1/3 of my salary and saved 23rds toward my retirement.

Not only now do I have to pay for Medicare prescription coverage that is not as comprehensive as what I was covered with under the Maryland prescription drug coverage plan but I also must continue to carry and pay for the Maryland plan for my dependents under the age of Medicare eligibility which incudes my wife and two daughters. One daughter being just 18 years of age.

Maryland finds funding to cover noncitizens of this country, provides medical and pharmacy to many who are not even attempting to contribute to society, yet denies those who worked for 30 plus years for the benefits. I recently was speaking to a young man 18 years of age who was receiving medical assistance and had found him employment and he advised me that "work was not for him." Maryland is sending the wrong message and eventually the number working to support this system will be less than the number drawling from it. I do not believe this is the message that this state should be sending and encouraging.

I am asking that you support reinstating what I earned. This is not a "handout" as I put in over 30 years of service to receive these benefits.

Michael Bridgett

240-538-3894

Email of Support.pdf
Uploaded by: Mike McKay
Position: FAV

Senator McKay,
I recently retired in 2022 from the University of Maryland Extension after 32 years. I was hired with the promise I would have prescription drug coverage when I retire. We are now being told the benefit will sunset and we must go to a medicare plan. I have researched this change and it is clear I, and others, will end up paying much more for the medications I require. This change was being discussed in 2009 and the state failed to fund an account to cover this benefit for retirees.

Senator Corderman suggested I contact you since you are sponsoring the SB349 bill to restore the benefits. I am willing to testify if you think it will help. Please contact me if I can be of help. This legislation is important to me.
Jonathan

--
Jonathan Kays
17002 Fairplay Farms Ct, Fairplay, MD 21733
301-318-8044

SB349.pdf
Uploaded by: Mike McKay
Position: FAV

MIKE MCKAY
Legislative District 1
Garrett, Allegany, and Washington Counties

Judicial Proceedings Committee

Executive Nominations Committee

James Senate Office Building
11 Bladen Street, Room 416
Annapolis, Maryland 21401
410-841-3565 · 301-858-3565
800-492-7122 *Ext.* 3565
Mike.McKay@senate.state.md.us

THE SENATE OF MARYLAND
ANNAPOLIS, MARYLAND 21401

Senate Bill 349 – State Prescription Drug Benefits – Retirees

February 26, 2024

Dear Chairman Guzzone, Vice Chairman Rosapepe, and Members of the Committee,

The purpose of the bill is very simple intending to correct a wrong from the past. State workers who began their work prior to July 1, 2011, had been promised prescription drug benefits as well as other health and retirement benefits. This was, however, stripped from them and many have found themselves without any coverage or health benefits from the state since retirement. This bill will simply reinstate those benefits. I have received dozens of phone calls, emails, and letters from constituents and retirees across Maryland asking to get this bill passed or asking how they could contribute to getting the bill passed. I thank you all for your time and ask for a favorable vote.

Sincerely,

Senator Mike McKay

Representing the Appalachia Region of Maryland

Serving Garrett, Allegany, and Washington Counties

Support of SB 349.pdf
Uploaded by: Mike McKay
Position: FAV

I am here today to speak in support of Senate Bill 349. As a two-time retiree from the state of Maryland I first retired from the Maryland State Police after over twenty-seven years of service. Part of my time with the Maryland State Police was spent here in Annapolis as the Sergeant at Arms for the Maryland House of Delegates. Following my retirement from the Maryland State Police I served with the Department of Corrections as both an Assistant Warden and Warden for nearly fourteen years before retiring.

At issue is a change to the benefits for Maryland state retirees who receive partially state-funded prescription drug coverage. I am currently 66 years old and would be among those who will lose our state subsidized prescription coverage effective December 31, 2024 and be forced to enroll in Medicare Part D.

Senate Bill 349 addresses prescription coverage but what is to prevent retirees from losing our health care coverage next? For the legislature it comes down to the cost. I know that House Bill 728 and Senate Bill 705 would provide health care to both Medicare and non Medicare eligible non citizens. That would come at a cost to the state of over 200 million dollars. I am asking you to put Maryland state retirees before non citizens. I am asking you to live up to the commitment that was made to Maryland state retirees and vote in support of Senate Bill 349.

Sincerely,
Retired Sergeant Richard J. Graham
And Retired Warden at Western Correctional Institute

Testimony_SB946.pdf
Uploaded by: Patricia Hathaway
Position: FAV

SB349 deals with an issue that affects 53,000 people who retired from positions in State Government. Maryland will remove prescription benefits from Medicare-eligible State retirees who were hired before 2011 at the end of this year unless legislation is enacted to restore these benefits. Please support SB 349 that will restore retiree prescription benefits.

I am one of those State retirees. When I was hired, I was promised that I would be able to continue using all the State health benefits when I retired. My retirement plans were based on the retirement benefits I was promised by Maryland. If I must seek my own Medicare Part D pharmacy plan beginning in January 2025, I will be seriously hurt by the results. The Medicare Part D plans are **NOT** equivalent to the State pharmacy plan, and I will be harmed by this change in my pharmacy coverage.

- The list of drugs (the formulary) covered by the State pharmacy plan is much more extensive than the formulary of any Medicare Part D plan that is offered in Maryland. This means that I will have to pay the full cost of drugs that I take that are not on my plan's formulary.

- The Medicare cap on out-of-pocket costs does not include drugs not covered by Part D plans. The provisions of SB 946 that were created in 2019 to "ease my transition" also do not apply to drugs not on Part D plans' formularies**. I will end up paying thousands of dollars more than I am paying now for medications that I need**.

- The injunction in the *Fitch et al. vs. Maryland et al.* lawsuit that continued our benefits since 2018 was dissolved by the court in July 2023. This allows the State to proceed with its plan to remove prescription benefits despite the commitment made to employees at the time they were hired.

- The annual cost of the State retiree prescription benefit is only 0.2% of the State's General Fund Budget.

- Concerns about the long-term liability of this program are **overstated**. The retiree prescription plan represents only about 13% of the State's long-term liability for other post-employment benefits (OPEB). Ending the benefit cannot be expected to have a significant effect on the State's financial situation or bond rating.

Please support SB 349 and work with your delegation to urge leadership to listen to their voters. These bills would restore our prescription benefits and keep the promises the State made to us when we were hired. A state that breaks these promises cannot expect to maintain a dedicated workforce. **It is morally and ethically wrong for the State to renege on these promises.**

Thank you for your consideration of this request and your help in "leaving no one behind".

Do the right thing,

Patricia Hathaway
Bowie, MD
State Employee for over two decades!

Prescription Issues.pdf
Uploaded by: Patricia Nowakowski
Position: FAV

My name is Patricia Nowakowski, a retired Maryland State employee. I am here today for speak in favor of SB 349.

Imagine one day next year you come leave work after a long day in the office, fight traffic to get home and finally are looking forward to having a chance to relax. Then you get a call from your elderly mother. She is distraught because she doesn't have enough money to pay for her prescriptions. She says she had explained to you that retirees of the state of MD were losing their prescription coverage at the end of 2024, but you didn't realize exactly what impact that would have. You know she has Medicare and think to yourself surely the state didn't end the coverage if Medicare didn't cover the prescriptions. Your mother explains several of her prescriptions are not on her plan and she now has to pay for them. You have no clue about what she is talking about. She says she needs $325 for the medicine. You ask how often she refills these medications, and she says every month. You know your mother worked for the state Department of Juvenile Justice for over 40 years. She is a widow, living on Social Security and a small state pension. You ask her what about her saving? How is it possible that she doesn't have savings to pay for the prescriptions? She said when she had to get a new roof last year that cost $20,000 and she has been spending money to keep her old car running and that she has spent all of her saving. With the recent increases in food and monthly bills, she has very little left at the end of the month and as soon as she is able to put away a few dollars, a new bill comes due. She tells you she gave up cable TV and the internet but is barely making it. You speak with the pharmacist and give them your credit card number but know you can't pay for these prescriptions every month. You have 2 kids in college and a daughter who is planning to get married next year. There is no way you can cover your mothers' expenses long term. How could this have happened? What legislature with a conscious would not reinstate a prescription benefit for people who have worked for the state their entire lives? What is going to happen if mom doesn't get the prescriptions she needs?

Now I would like you to consider my situation. I worked for the state from 11/1979 to 7/2012. Immediately after retiring from the state, I went to work for the Federal Government. Before I retired, I made an appointment with a Human Resources to ask if I should continue my health insurance, prescription plan, dental and vision plans. I was asked how long I planned to work for the Feds. I was unsure and explained that to the human resources staff. They advised me to keep my benefits from the state and showed me a booklet where it explained I had earned these benefits for life. I could have taken the federal benefits in 2012 when I was hired. Note that this was after the legislation to end the state pharmacy coverage had passed. Human Resources was still telling people about to retire that these benefits were earned for life. I am still working for the feds and could have earned lifetime coverage after 10 years of service had I been advised correctly.

My job title with the Feds is Health Insurance Specialist. I know that there is a cost for Medicare Part D of $74.20 per month in 2024. That is an expense in addition to Medicare Part B which is $174.70 in 2024. Plus for Part D there is a plan premium. This amount varies depending on what plan is selected. All the plans have a deductible so at the beginning of the year, you must pay for all of your prescriptions until you meet the deductible. In addition, you must pay for the prescriptions not covered by the plan. But you may say, there is a $2000 cap on out-of-pocket expenses. You might think that is reasonable if all non-plan costs were considered out of pocket expenses, but they are not. For some reason, the state is willing to hire a contractor, and set up a complicated program when they could reinstate the existing coverage. As I have shown, there is a cost for all of

the plans and the coverage is far from comprehensive. I ask you to not put me in the situation of not being able to pay for my prescription. I don't have any children to call..... It is imperative you as a legislator treat the retirees as you will want to be treated when you retire. Please reinstate this prescription benefit. Our very lives depend on you doing just that.

I am asking you today to please pass this legislation in committee soon so the bill can get a vote on the Senate floor by Crossover Day on Tuesday March 19th.

Thank you.

SB349.pdf
Uploaded by: Phylis Reinard
Position: FAV

February 27, 2024

Dear Senators

I started my career with the state of Maryland in 1980, at that time your policy and rules stated that after 5 years I was vested into the retiree Health Benefits Program which includes prescription drug coverage. Your rules and policies also stated that after 16 years of service that at retirement I would continue to have the same benefits as an active employee.

I retired in 2013 after 33 years of service to the state as a RN, certified Nurse Practitioner. I want everyone on this committee to understand that there is no Medicare part D plan no matter how much you pay that comes anywhere near my current state prescription plan that I earned by fulfilling my part of the rules and policies that were in place when I was hired. Currently my husband in on an infusion drug that cost us $40 dollars a month in order to keep his immune system functioning, when researching Medicare part D policies, this drug is not in any formulary for any plan on the Medicare.Gov website, so come January 2025 that one drug will cost us hundreds of dollars per month.

That is just one example of Medicare part D plans not being anywhere near comparable to my current state plan. I understand that times change, however every one of you learned in Kindergarten that there are rules. Every state employee that was hired prior to July 2011 was given a set of rules by which we played by working for the State of Maryland and fulfilling our part of the rules and policies that were in place at the time of hire.

Please do the right thing and Grandfather those of us that were hired before July 2011 into the state prescription plan as that was "the Rules" when we were hired.

Phylis Reinard RN CRNP (Retired)

Support of SB 349.pdf
Uploaded by: Richard Graham
Position: FAV

I am here today to speak in support of Senate Bill 349. As a two-time retiree from the state of Maryland I first retired from the Maryland State Police after over twenty-seven years of service. Part of my time with the Maryland State Police was spent here in Annapolis as the Sergeant at Arms for the Maryland House of Delegates. Following my retirement from the Maryland State Police I served with the Department of Corrections as both an Assistant Warden and Warden for nearly fourteen years before retiring.

At issue is a change to the benefits for Maryland state retirees who receive partially state-funded prescription drug coverage. I am currently 66 years old and would be among those who will lose our state subsidized prescription coverage effective December 31, 2024 and be forced to enroll in Medicare Part D.

Senate Bill 349 addresses prescription coverage but what is to prevent retirees from losing our health care coverage next? For the legislature it comes down to the cost. I know that House Bill 728 and Senate Bill 705 would provide health care to both Medicare and non Medicare eligible non citizens. That would come at a cost to the state of over 200 million dollars. I am asking you to put Maryland state retirees before non citizens. I am asking you to live up to the commitment that was made to Maryland state retirees and vote in support of Senate Bill 349.

Sincerely,
Retired Sergeant Richard J. Graham
And Retired Warden at Western Correctional Institute

SB349_FAV_AFSCME Retiree Chapter 1.pdf
Uploaded by: Ron Bailey
Position: FAV

Testimony
Ron Bailey, AFSCME Retiree Chapter 1
SB 349 -State Prescription Drugs - Retirees
Favorable

Good afternoon. My name is Ron Bailey. I served as a Correctional Officer at several state prisons for over 20 years before I retired as a Captain in 1996. I urge you to support SB 349 which will restore access to the State's prescription plan for state retirees that were hired before 2011.

Thousands of current and former state employees depend on your actions. Please try to put yourself in the shoes of an average state retiree in the pension system. These 66,000 retirees bring home an average of $1541 per month. Even with Social Security, their income is barely enough to meet basic needs of food and housing. The state's prescription plan has been a lifeline for us.

With Medicare Part D, retirees will, for the first time, face deductibles since there are none in the State's plan. Deductibles mean paying the full cost of a medicine until the deductible is met. Even plans with little or no deductibles may have higher co-pays and premiums than the state's plan.

Under the state plan, once my wife and I have spent $1500 on medicine, we have reached an out-of-pocket maximum. However, with Medicare Part D, each one of us would need to spend $2000 for medicine before we would reach an out-of-pocket maximum. That difference of $2500 is huge!

The other big problem is the copays of the Medicare Part D plans. Especially for specific illnesses that have newer medicines, the co-pays can be very high. This is especially true for heart and cancer medicines since newer ones are being developed all the time. Some of these medicines are not on the formulary and a person is required to pay the full cost.

The development of prescription drugs has greatly reduced other medical cost including hospitalization. But if we can't afford to buy them, you can be sure that more people will be sick, more people will be in the hospital, and more people will die.

The State's budget reflects our state's priorities. The fact that the legislature is refusing to pay for our medicine once we retire means that we are not a priority. I urge you to make us a priority and restore our prescription coverage.

Please vote YES to PASS SB349 12.pdf
Uploaded by: Sandra Campbell
Position: FAV

Please vote YES to PASS SB349. Reinstate Drug Benefits for MD State Retirees hired prior to January 1, 2011.

Hello, my name is Sandy Campbell and I am a resident of Baltimore County. I worked for the State of Maryland for twenty-five, first at the University of Maryland, Baltimore, and then, after working at three other companies, at UMBC. I retired in 2021.

I was excited about the position at UMBC, which came with a significant salary cut. For me, that salary adjustment was offset by the array of benefit options provided by the state, both while actively working and, then later what would be available to me in retirement. This included the prescription benefit.

The prescription pharmacy plan offered by the State of Maryland is broad-based in the drugs that are covered, Now, with the no access to the state plan, I find myself in the position of losing this significant benefit promised to me when I was hired, and thereafter for each subsequent year of employment. The pharmacy plans offered by Medicare are many; but they are limited by only needing to provide coverage for two drugs in their formulary for each health issue. Thus, this will require me to review all the Medicare pharmacy plans closely, and hope that my medications would ALL be covered in ONE of the plans. I understand that is often NOT the case. Therefore, the prescribed non-covered drug becomes out-of-pocket to me. There is some belief that this "non-covered" medication cost could be applied to the $2,000 Medicare prescription cap. This is NOT accurate as the Medicare prescription cap is ONLY for out-of-pocket costs associated for drugs WITHIN the selected pharmacy formulary plan. Hence, this expense would still be totally out-of-pocket and could end up extremely costly.

As a long-time State of Maryland employee, I ask that we get back the retiree prescription coverage that we were promised long ago.

Thank you for supporting the passage of SB349.

Sincerely,

Sandy Campbell
507 Stevenson Lane
Towson, MD 21286

February 27, 2024

.

SB0349.pdf
Uploaded by: Sandra Dalton
Position: FAV

SB0349
I am writing to request that you support the grandfathering in of all vested retirees so that the benefits we were promised (in my case in November 1971, my EOD date) remain in effect until the end of our lives. Why? Because at 74 years old (soon to be 75) I have steadily found it necessary to start seeing many new doctors including specialists in order to maintain the healthiest lifestyle I can.

I always took pride in the fact that I used to take a baby aspirin and vitamins. That was it.

The following is a list of medications I am currently taking:

Eliquis 5 mg twice daily for A-Fib
Diltiazem 120mg once daily
Duloxetine 60 mg once daily
Estrace 0.1mg/gm vaginal cream 1 gram 2 times a week
Insulin Aspart 100 units using up to 30 units daily
Tresiba insulin 100 units using15 units daily
Just added Ozempic (2/14/24 visit) currently on 3 insulins
Losartan 100 mg once daily
Metformin 1000 mg twice daily
Oxybutynin 15 mg once daily Just changed to Gemtesa once daily
Pravastatin 80 mg once daily

Voltaren gel for joint damage causing pain and loss of function
Flonase for rhinitis
Lidocaine patch for back pain
Iron tablets for anemia
Vitamin D3 125 mcg

I have also been on medications to assist with preventing UTIs which I have had during at least the last five visits to my Urologist:

Cephalexin 250 mg once daily
Sulfamethoxazole 800 once daily

Because I am incontinent I also bear the cost of daily and overnight pads and adult diapers to prevent leakage, embarrassment and more UTIs.

As you know, other benefits were taken away from us, e.g., one hour lunches and 35 hour work weeks which did not threaten to our lives. I consider these prescription benefits to be lifesaving. If I have to pick and choose which ones I will continue to take I'm afraid the diabetic and heart medications will be the first to go. As a result, I see myself as the second to go.

Time is of the essence. Please support SB0349.

Sincerely,
Sandra Dalton
State of Maryland Retiree

1402 Nutwood Court
Crofton MD. 21114
sandydalton611@Gmail.com
(410) 440-1204

Testimony in Support of 349 State Prescription Dru

Uploaded by: Sarah Miicke

Position: FAV

Maryland Senior Citizens Action Network

MSCAN

MSCAN Co-Chairs:
Carol Lienhard
Sarah Miicke
410-542-4850

Testimony in Support of SB349 State Prescription Drug Benefits – Retirees
Senate Budget and Taxation Committee
FAVORABLE
February 28, 2024

Good afternoon, Senator Guzzone and Members of the Senate Budget and Taxation Committee. The Maryland Senior Citizens Action Network (MSCAN) is a statewide coalition of advocacy groups, service providers, faith-based and mission-driven organizations that supports policies that meet the housing, health, and quality of care needs of Maryland's low and moderate-income seniors.

SB 349 authorizes State of Maryland retirees who began State service before July 1, 2011, should be eligible for prescription drug benefits in the Maryland State Employee and Retiree Health and Welfare Benefits Program.

Retirees feel like the state has backed down on a benefit and it’s disappointing because the drug benefit does not align with the benefit package many state employees thought they would be getting during retirement.

We believe the States should provide retired state and local employees and spouses with opportunities and options for adequate health insurance coverage especially prescription drugs.

We also believe that the State should provide Medicare-eligible retirees with benefits that supplement Medicare and for these reasons, we ask for a favorable report on SB 349.

Legislator.pdf
Uploaded by: Sharon Harding
Position: FAV

Note to MD Legislators re SB 349 (2024 Session)
Date: 2/27/2024

My name is Sharon Harding and I currently live in Talbot County, MD. I am a Registered Nurse and worked for the MD Dept of Health and Mental Hygiene from September 1988 until I retired in December 2016, I started out as a RN, worked my way up to RN, Charge and eventually a RN Supervisor. For the majority of that time I worked in Mental Health, primarily at Eastern Shore Hospital Center, but also worked at Wicomico County Health Dept in Child and Adolescent Behavioral Health and Deers Head Hospital Center.

During my time with the State of Maryland I was proud to serve the citizens of Maryland. We had many years without COLA or Step increases due to budget issues within the State, we were forced to take unpaid furlough days and I was forced to pay Union dues (even though they "could not" actually represent me due to my job classification). Most of these issues were controlled by the MD state legislators however I remained with the state because I knew the job I was doing was important and I had the assurance that the State of MD would support me and keep the promise of adequate health and prescription care when I retired.

Most of my career I worked a second job in order to provide for my two children. The salary provided by the MD was below what I could make at other places however I remained committed to the citizens of Maryland and I was able to look at the "long picture" of a more secure retirement. Health and Prescription Drug benefits for my "lifetime" were an important issue as well. Nurses realize the importance of good health care and prescription drug coverage. Psychiatric nursing is dangerous and I was injured at work more times than I can count and continue to deal with Migraine Headaches, back and knee injuries and permanent health issues due to those injuries. If I lose my current prescription coverage, I will not be able to afford the medication that helps with those issues.

During my many years of working for the Maryland Department of Health and Mental Hygiene I had the honor and privilege of working with the most dedicated and professional workers that I have ever come across in my life. They genuinely cared for those who were mostly overlooked by society and we did our best to return them to their highest quality of life possible. We worked through all shifts, holidays, weather emergencies and every budget cut and we did it with grace and we did it WITHOUT caring about race, religion, national origin or "citizenship". We respected each other's differences as fellow employees and patients in our care.

State of Maryland workers do the jobs that private entities do not want to do because it's not glamorous or profitable. Maryland's budget was 'balanced' on the backs of your workers and the State Of Maryland can not function AT ALL without your state workers.

In our yearly benefits packages from the year 1988-2010 we were promised to be able to keep our Health and Prescription Benefits at the same rate as current state workers, once we were "vested" state employees.

We kept (and continue to keep) our word to the citizens of Maryland and are asked you to please KEEP YOUR WORD and support SB 349 which will restore Retiree Prescription Program coverage at the same level as active state employees. We continue to pay our share of those benefits and already completed our part of the bargain.

Thank you for your thoughtful and fair consideration of this Senate Bill. And thank you to Senator McKay and all of the other legislators who want to do the right thing and undo this injustice to state retirees.

Sharon M. Harding RN-BC, BS
29011 Delahay Drive
Trappe, MD. 21673

SB 349 State Prescription Drug Benefits_Retirees_
Uploaded by: Tammy Bresnahan
Position: FAV

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SB 349 State Prescription Drug Benefits – Retirees
Senate Budget and Taxation Committee
FAVORABLE
February 28, 2024

Good afternoon, Senator Guzzone and Members of the Senate Budget and Taxation Committee. I am Tammy Bresnahan, Senior Director of Advocacy for AARP Maryland. AARP Maryland advocates for two million Marylanders age 50 and over.

SB 349 authorizes State of Maryland retirees who began State service before July 1, 2011, should be eligible for prescription drug benefits in the Maryland State Employee and Retiree Health and Welfare Benefits Program. We thank Senator McKay for sponsoring this important piece of legislation for the retired Maryland state employees.

History of the benefit change
The 2011 pension reform bill initially scheduled the change to take place in 2019 for all retirees who qualified for Medicare Part D coverage, regardless of the day they were hired or the terms of their benefits package agreed upon then.

State retirees and we believe are justified, they argue that the law breaks the contract by revoking benefits that they signed up for when they hired many years ago and have planned their retirement counting on those benefits.

In the federal court case Fitch v. State of Maryland, U.S. District Court Judge Peter J. Messitte granted a temporary injunction October 2018, and retirees were able to maintain their original state prescription drug coverage as the litigation continued. The state appealed the ruling.

In February 2023 the federal Fourth Circuit Court of Appeals ruled against the temporary injunction, allowing the state to move forward with plans to end the state prescription drug coverage and move retirees to Medicare Part D. The change to Medicare Part D coverage means that retirees must pay out-of-pocket and seek reimbursement for purchasing drugs that they need. In addition, Medicare Part D does not cover the same prescriptions that the state plan does, some state retirees fear. The fact is this is an older population that is not only taking a lot of drugs and they need this benefit.

There have been legislative attempts to restore the state prescription drug plans to retirees who were hired before changes were made to the law in 2011, but so far, such efforts have been unsuccessful. However, in December 2023, thousands of retired state workers received a letter from Maryland's Department of Budget and Management alerting them that major changes are

coming to their prescription drug plans. Based on State of Maryland law passed in 2019, current prescription drug coverage will end December 31, 2024.

As you may know, many retirees are not happy. At issue is a change to benefits for former employees of Maryland government who are receiving partially state-funded prescription drug coverage during retirement. Those benefits are set to shift from the current state retiree health care program to coverage through the federal Medicare Part D plan at the end of the year.

A years-long controversy and an eventual legal challenge have roots in Maryland's 2011 pension reform legislation, particularly the part which aimed to end the state's prescription drug coverage for Medicare-qualified state retirees and move them to Medicare part D, the federal prescription drug plan for retirees. Those who are retired but do not qualify for Medicare will remain on the state's prescription drug plan, until they qualify for Medicare. Former state employees who were hired before the change want to stay with the state plan that they agreed to when they were hired. They fear that the Medicare Part D coverage may not adequately cover their prescription drug costs.

Retirees feel like the state has backed down on a benefit and it's disappointing because the drug benefit does not align with the benefit package many state employees thought they would be getting during retirement.

AARP believe the States should provide retired state and local employees and spouses with opportunities and options for adequate health insurance coverage especially prescription drugs.

States should provide Medicare-eligible retirees with benefits that supplement Medicare and for these reasons, we ask for a favorable report on SB 349. If you have questions please contact me at tbresnahan@aarp.org or by calling me at 410-302-8451,

SB 349 Retiree Prescription Drug Benefit testimony

Uploaded by: Thomas Abrams

Position: FAV

UNIVERSITY of MARYLAND
SCHOOL OF MEDICINE

Thomas W. Abrams, PhD
Department of Pharmacology and Experimental Therapeutics
655 West Baltimore Street, BRB 4-002
Baltimore, MD 21201
410-706-7330 / 410-706-0032 fax

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 operartng 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.

Please vote YES to PASS SB349.pdf
Uploaded by: Wendy Cohan
Position: FAV

Please vote YES to PASS SB349. Reinstate Drug Benefits for MD State Retirees hired prior to January 1, 2011.

Hello, my name is Wendy Cohan and I am a resident of Anne Arundel County. I worked for the State of Maryland for forty years beginning in 1981, first at the Mass Transit Administration, then at the University of Maryland, Baltimore.

I was not Medicare eligible in time to retire prior to January 1, 2019. Therefore, I fall into the category of Maryland State Retirees entirely on my own regarding meeting pharmacy co-pays and non-formulary drug expenses as of January 1, 2025. Though my tenure as a state employee far exceeds those of 99% of others, I find myself in the position of losing a significant benefit promised to me at time of hire and for the proceeding years of employment.

Unfortunately, I am on a significant number of medications and foresee additional pharmacological support as I grow older. Having the pharmaceutical plan through the State of Maryland allows me a broad formulary and the negotiating power of the State of Maryland. By taking this benefit away you are forcing me to:

1. Seek an independent plan that may cost up to an additional $12,000 annually for known medications
2. Be at risk for bankruptcy should I need non-formulary medications
3. Be at the mercy of the vagaries of political manipulations of Medicare guidelines at the Federal level

You may be saying to yourself, “why is this such a big deal, Medicare plans to cap expenses at $2,000 as of 2025”. It is a big deal because that cap could go away with a different administration and does not apply to non-formulary spending. If there is not an equivalent plan available to cover my required medications, I can still face a huge financial obligation.

Thank you for supporting the passage of SB349.

Sincerely,

Wendy Cohan
206 West Maple Road
Linthicum Heights, MD 21090
410-302-9445

SB 349.final.with attachments.pdf
Uploaded by: William Kahn
Position: FAV

SENATE BILL 349
STATE PRESCRIPTION DRUG BENEFITS - RETIREES

Senate Budget and Taxation Committee
February 28, 2024

Testimony of William A. Kahn

Favorable

My name is William A. Kahn, 85 years old. I retired on December 31, 2003 from the Office of the Maryland Attorney General. I served for 26 years as an assistant attorney general, the last 20 years as the head of the Office's Contract Litigation Unit.

Senate Bill 349 reinstates the State's retirees prescription drug plan (the "State Plan") but only for those Medicare-eligible retirees and employees who were hired before July 1, 2011 (the "pre-2011 hires"). This is a limited population that, with the passage of time, will decrease to zero, as will the State's expenditures for them. As explained in my testimony on 2022 Senate Bill 578 (Attachment 2), which discusses in detail many reasons to not off-load retirees onto Part D, this is an affordable population, both in terms of current cost and long-term liability.

Senate Bill 349 should receive a favorable report.

Why are retirees upset by the pending termination of the State plan for us?

While 2019 Senate Bill 946 (2019 Chapter 767) replaces the State plan with three State reimbursement programs superimposed on Medicare Part D, these programs do not fix a very significant problem of Part D. There are several reasons.

1. The State promised us that our health benefits would continue into our retirement, a promise. In 2004 Laws of Maryland Chap. 296, the General Assembly reinforced its commitment that State retirees were entitled to continue in the State Plan despite the enactment of Medicare Part D.

The State Plan prescription drug coverage is much more comprehensive than Part D plans because the State Plan “wraps around” and supplements Part D.

The State seems to view Part D as monolithic, but it is not. In 2024, there are 19 separate Part D plans in Maryland, each with its own formulary (list of covered drugs), premium, deductible, and co-insurance and co-payments.

Annual Part D premiums range from $5 to $1,361 per person ($10 to $2,722 for a two-person household). Contrast the State Plan, with its <u>much</u> better formulary, with annual premium of $639 for one retiree and $1,124 for retiree plus one. (Ask: What kind of drug coverage can you get for $10 per year?)

Any decent Part D plan is more expensive than the State Plan, just in premiums alone. In addition, 16 of the 19 Part D plans have deductibles, some as high as $545 ($590 in 2025) – doubling the cost for a two-person household - and the co-insurance and co-payments are significantly higher for all but the cheapest generics.

2. Importantly, the 2019 Senate Bill 946 programs do not fix the problem with the most significant impact on state retirees: the maximum for "out-of-pocket costs" applies ONLY to covered drugs.

If a retiree is prescribed a drug that is not covered by the retiree's prescription drug plan, the retiree must pay for it out of his or her own funds. The cost of this not-covered drug does not count toward the $1,500/$2,000 maximum or cap under the State Plan and will not count toward the 2025 Part D cap of $2,000.

This is because, under Part D, by definition, "out-of—pocket costs" *excludes* the cost of not-covered drugs. It is critical to understand that "out-of-pockets costs" applies *only* to costs paid from the participant's own funds for **covered** drugs (i.e., the full negotiated price within the deductible and co-insurance and co-payments after that).

This is explained in the Evidence of Coverage for the State's SilverScript Part D plan. (Being a wrap-around Part D plan, the State's SilverScript Part D plan must conform to Part D definitions.) SilverScript Evidence of Coverage (2024) at 98 (Attachment 1) states:

> **State of Maryland Annual Maximum Out-of-Pocket Maximum (MOOP)** - The most you will pay in a year for your share of the cost for *covered* prescription drugs. (Italics added.)

In Medicare Part D parlance:

> True out-of-pocket (TrOOP) costs are payments that count toward a person's Medicare drug plan out-of-pocket threshold . . .
>
> These payments don't count toward a person's TrOOP costs: . . .
>
> • *Drugs not covered by the plan* (Italics added.)[1]

The new State Retiree Prescription Drug Coverage Program, *§2-509.1(d)(2)(i), Md. Pers. & Pensions Ann. Code*, reimburses Medicare-eligible State retirees for "out-of-pocket costs that exceed" $1,500/$2,000. The new State Retiree Catastrophic Prescription Drug Assistance

[1] "Understanding True Out-of-Pocket (TrOOP) Costs," Partners, Department of Health and Human Services, at https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=&ved=2ahUKEwj_lc36vqiEAxU-GFkFHWL8DL4QFnoECEcQAQ&url=https%3A%2F%2Fwww.cms.gov%2Ffiles%2Fdocument%2F11223-ppdf&usg=AOvVaw3QBCm3DfgJM6_xknBdAjkz&opi=89978449

Program, §2-509.1(e)(2)(I), reimburses Medicare-eligible retirees for "out-of-pocket costs" the retiree incurs in the Part D catastrophic phase.[2]

But, because "out-of-pocket costs" under Medicare is limited to covered drugs, the full costs of all not-covered drugs are the retiree's sole responsibility.

This is a financial exposure that is substantial for several reasons. First, Part D formularies are narrower than the State Plan's comprehensive formulary, increasing the likelihood that Part D will not cover many drugs. Second, during open enrollment, a retiree enrolls in a plan that covers the retiree's then-current prescriptions. Completely unforeseeable are those additional drugs that may be prescribed after enrollment and the likelihood that these new drugs will not be covered. Third, for these not-covered drugs, the retiree must pay the full list price without benefit of any rebates, discounts, and other reductions available to pharmacy benefit managers for these drugs.

The State Retirees Life-Sustaining Prescription Drug Assistance Program, § 2-509.1(f)(2)(i), poses a similar difficulty. That program

> reimburses a participant for "out-of-pocket" costs for a life-sustaining prescription drug that is:
>
> 1. covered by the [State Plan]; and
>
> 2. not covered by the prescription drug benefit plan under Medicare in which the participant is enrolled.
>
> (quotation marks added)

But, if a life-sustaining drug is not covered by the retiree's Part D plan, by definition, the retiree has no "out-of-pocket" cost for that drug and is not entitled to any reimbursement for it. The retiree must pay the full list price from his or her own funds.

2019 Senate Bill 946 failed to provide relief to State retirees for not-covered drugs. The statute uses the wrong words.

3. Conclusion

In 2019, through Senate Bill 946, this Committee acknowledged the unfairness of off-loading pre-2011 State employees and retirees, who had been promised and expected continuation of their prescription drug benefit, onto Medicare Part D. Its attempt to mitigate is largely inadequate.

This Committee should issue a favorable report on Senate Bill 349.

[2] From 2006 through 2023, the retiree cost sharing was 5% in the catastrophic phase.

Medicare Health Plan – A Medicare health plan is offered by a private company that contracts with Medicare to provide Part A and Part B benefits to people with Medicare who enroll in the plan. This term includes all Medicare Advantage Plans, Medicare Cost Plans, Special Needs Plans, Demonstration/Pilot Programs, and Programs of All-inclusive Care for the Elderly (PACE).

Medicare Prescription Drug Coverage (Medicare Part D) – Insurance to help pay for outpatient prescription drugs, vaccines, biologicals, and some supplies not covered by Medicare Part A or Part B.

Medigap (Medicare Supplement Insurance) Policy – Medicare supplement insurance sold by private insurance companies to fill **gaps** in Original Medicare. Medigap policies only work with Original Medicare. (A Medicare Advantage plan is not a Medigap policy.)

Member (Member of our Plan, or Plan Member) – A person with Medicare who is eligible to get covered services, who has enrolled in our plan and whose enrollment has been confirmed by the Centers for Medicare & Medicaid Services (CMS).

Network Pharmacy – A pharmacy that contracts with our plan where members of our plan can get their prescription drug benefits. In most cases, your prescriptions are covered only if they are filled at one of our network pharmacies.

Original Medicare (*Traditional Medicare* or *Fee-for-Service Medicare*) – Original Medicare is offered by the government, and not a private health plan like Medicare Advantage plans and prescription drug plans. Under Original Medicare, Medicare services are covered by paying doctors, hospitals, and other health care providers payment amounts established by Congress. You can see any doctor, hospital, or other health care provider that accepts Medicare. You must pay the deductible. Medicare pays its share of the Medicare-approved amount, and you pay your share. Original Medicare has two parts: Part A (Hospital Insurance) and Part B (Medical Insurance) and is available everywhere in the United States.

Out-of-Network Pharmacy – A pharmacy that does not have a contract with our plan to coordinate or provide covered prescription drugs to members of our plan.

Out-of-Pocket Costs – See the definition for cost sharing above. A member's cost sharing requirement to pay for a portion of prescription drugs received is also referred to as the member's out-of-pocket cost requirement.

- **State of Maryland Annual Maximum Out-of-Pocket (MOOP)** – The most you will pay in a year for your share of the cost for covered prescription drugs.
- **Medicare True Out-of-Pocket (TrOOP)** – The expenses that count toward a person's Medicare prescription drug plan out-of-pocket threshold (for example, $8,000 in 2024). This includes amounts paid by you or qualified payers on your behalf toward the cost of your covered Medicare Part D prescription drugs. Generally, payments by family and friends and charities count toward TrOOP but not payments by other health plans. TrOOP costs determine when a person's catastrophic coverage portion of their Medicare Part D prescription drug plan will begin. In other words, TrOOP defines when you exit the coverage gap (sometimes referred to as the "donut hole") and enter the Catastrophic Coverage Stage of your Medicare Part D prescription drug plan.

SENATE BILL 578

STATE PRESCRIPTION DRUG BENEFITS - RETIREES

Senate Budget and Taxation Committee
March 2, 2022

Testimony of
William A. Kahn

Favorable

My name is William A. Kahn, 83 years old, I retired on December 31, 2003 from the Office of the Maryland Attorney General. I served for 26 years as an assistant attorney general, the last 20 years as the head of the Office's Contract Litigation Unit.

Senate Bill 578 reinstates the State's retirees prescription drug plan (the "State Plan") but only for those retirees and employees who were hired before July 1, 2011 (the "pre-2011 hires"). This is a limited population that, with the passage of time, will decrease to zero, as will the State's expenditures for them. The State's obligation to these retirees is close-ended and, as explained below, is very affordable.

Why have so many pre-2011 hires been pressing so hard to avoid being off-loaded onto Medicare Part D, even with the three State reimbursement programs enacted in 2019 but not implemented because of the federal court's 2018 preliminary injunction?[1] Each of us may have slightly different reasons but one that we have in common is that, when we were hired and during our employment, we were told and understood that the benefits we had as employees would continue into our retirement, in effect, as deferred compensation. In essence, this was a promise made to us which should be honored on both moral and legal grounds.[2]

The General Assembly took our views into account by enacting Chapter 767 (Laws of Maryland 2019) which would replace the State plan with three State reimbursement programs superimposed on Medicare Part D. This was an attempt to limit retirees' out-of-pocket costs. For one, I am appreciative of this consideration given us but it is necessary to say that, unfortunately, this is an imperfect solution that does not come nearly close enough to the benefits of the State Plan that were promised to us.

Medicare Part D - An Overview

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[1]The injunction was issued in *Fitch v. Maryland*, Civ. No. PJM-18-2817 (D. Md), in September, 2018. Previously, in May, 2018, by letter, the Department of Budget and Management had notified retirees that the State Plan would terminate at year-end. Retirees were alarmed. They also were surprised; this was the first that they had heard of the termination. The reason is that the legislation that provided for this termination had been buried in the 145-page Budget and Reconciliation Financing Act of 2011. Chapter 397 (Laws of Maryland, 2011) at 57-64.

[2]Retirees relied on this promise in many ways, from when they were hired until they retired. For example, some had an option to rely on a spouse's benefits but chose State benefits. Some had an option at retirement of a larger pension allowance that would not carry forward, with the attendant State post-employment benefits to a spouse, but instead chose a lower allowance so that a spouse would be covered by both the pension and the benefits.

While Medicare Part D may be good for Medicare-eligibles who otherwise would have no insurance for prescription drugs, it is a confusing, cumbersome, burdensome, and risky alternative to the State Plan. It is an alternative that each retiree will have to contend with, again and again, each and every year. If a picture is worth a thousand words, please look at the exhibit that is attached. This is a chart from Medicare & You 2022. Currently, there are 21 Medicare Part D plans available to Maryland residents. The chart gives a summary of those plans, including information on premiums, deductibles, co-payments and co-insurance.

You will see that the per person premiums range from a low of $7.10 per month, or $85.20 per year, for Silverscript SmartRx, to a high of $100.60 per month, or $1,207.20 per year, for AARP MedicareRx Preferred. For a retiree and spouse, the Medicare Part D annual premium ranges from $170.40 to $2,414.40. (These premiums are not out-of-pocket costs and therefore would not be reimbursable under the 2019 programs.) Under the State Plan, the premium for retiree and spouse, both Medicare-eligible, is $73 per month, or $876 per year.

Most Medicare Part D plans have a $480 deductible; three do not have any deductible. One has a deductible of "$100 some drugs; call plan;" another has "$310 some drugs; call plan." The State Plan has no deductible.

All Part D plans have variable co-payments for lower cost (lower tier, generic) drugs and variable co-insurance for higher cost (higher tier) drugs. Co-insurance for these higher cost drugs is significant, ranging from 15% to 50%. Co-payment and co-insurance are for only a 30-day supply.

Contrast the State Plan, which has no co-insurance and only fixed co-payments and, depending upon the participant's choice, co-payments for either a 45-day or 90-day supply. The fixed 90-day co-payments (twice the 45-day co-payments) are:

Generic	$20
Preferred brand name	$50
Non-preferred brand name	$80

If a retiree needs and orders a 90-day supply of a non-preferred brand name medication, the effective co-payment for a 30-day supply is $80 divided by 3 or $27. This is very substantially less than the co-insurance or co-payments for the highest tier drugs under Medicare Part D.

Moreover, for five classes of drugs, for specified generic medications, there are zero co-payments. See Department of Budget and Management's 2022 version of "Guide to your Health Benefits at 21.

And Medicare Part D plans have the infamous coverage gap where the norm is 25% coinsurance. There is no coverage gap in the State Plan.

The foregoing is the relatively easy part of coping with Medicare Part D. The more difficult part is dealing with the difference in plan formularies, which creates inordinate difficulty in the very personal decision to select a Part D plan each and every year.

To explain this difficulty, I would like to start with my own experience with the State Plan.

The Formulary

My wife of 24 years, who unfortunately passed away in 2017, was diagnosed with an auto-immune disease known as scleroderma and with end-stage kidney disease, as well as a number of related and unrelated medical issues. She was on many medications; some were relatively cheap and some were very expensive. As to some of these medications, she experienced serious adverse effects that necessitated substituting prescriptions for different drugs. The State Plan covered each and every one of them.

This taught me how very comprehensive the formulary is, i.e., the list of drugs covered by the State Plan. Only a few of those drugs - the anti-rejection drugs prescribed for her after a successful kidney transplant - could be considered life-sustaining. However, these other medications, while individually not "life-sustaining", collectively were life-sustaining; they controlled the nasty effects of scleroderma, allowed her to live into her 81st year, and enabled us to lead reasonable quality lives together.

I am very grateful for the State Plan, which, unlike Medicare Part D plans, covered all of my wife's medications with no hassle and no significant burden. My view, I believe, is typical of every other retiree who participates in the State Plan.

The key here is the State Plan's formulary. Since the sunset legislation in 2011, no one has opined, nor could, that Medicare Part D plans are as comprehensive as the State Plan formulary. All that any so-called expert can tell you is whether a particular Part D plan covers all or just some of the medications you take today. Whether the plan you choose will cover a drug prescribed for you after you enroll is a huge gamble. That is not the case with the State Plan.

It is this notion of formulary and its comprehensiveness that makes the State Plan very important to all of us.

Part D Plan Selection

As mentioned earlier, currently, there are 21 Medicare Part D plans available to Maryland residents, with 21 different formularies and 21 combinations of premiums, deductibles, co-payments and co-insurance.. This maze of options is what one must navigate to contend with the burdens of Medicare Part D.

Medicare does provide a web site that is time-consuming to use but can help a little. Create an account, enter the drugs you are currently taking and up to five preferred pharmacies, and the site will identify the plans that cover your current medications as well as the associated premiums and out-of-pockets costs.

However, there is no way to compare the comprehensiveness of the plans and their respective formularies, so that you can judge whether the insurance is good enough to protect you against lack of coverage for future prescriptions. (Medicare requires that plans cover at least two drugs in each category and class, which is not much of an assurance since it allows a Part D plan formulary to be very narrow and minimal.[3]) Anecdotally, however, we know that there are major differences among those plans and, again anecdotally, we know that the State Plan is superior. Despite an internet search, I found nothing that would help to differentiate plans on the basis of formulary nor is there a source that offers to do anything more than the Medicare Part D web site does.

Medicare Part D excludes from all Part D plans certain categories of drugs Among them are drugs prescribed for:

1. anorexia
2. weight gain (including for obesity)
3. weight loss
4. relief of cough or cold (even drugs available only by prescription)
5. sexual or erectile dysfunction

The State Plan provides coverage in these categories.

Part D plans are free to change their formularies every year and each of us would have to go through a plan selection process each and every year. Annually, we would be faced with the question, what do my spouse and I get in the way of insurance for an annual premium of $85.20 or $2,414.40. The answer is that there is no way to know.

Plan selection is a very worrisome aspect of Medicare Part D. This is not true of the State Plan.

We Are Affordable

The Fiscal and Policy Note for Senate Bill 578 is opaque as to the State's cost for retirees' prescriptions. Moreover, the note contains no information on the difference in cost between maintaining retirees on the State Plan over the State's cost for Medicare Part D with

[3]Part D plans are encouraged to use the U. S. Pharmacopeia model system for classifying drugs into therapeutic categories and classes; however, subject to federal approval, Part D plans "may define categories and classes as they wish." Huskamp and Keating, *The New Medicare Benefit: Formularies and Their Potential Effects on Access to Medications*, Journal of General Internal Medicine, July 2005, at 663, https://www.ncbi.nlm.nih.gov/pmc/articles/PMC1403290 : Center for Medicare and Medical Services, *Medicare Prescription Drug Benefit Manual*, Chap. 6 (Rev. 18, Jan. 15, 2016) § 30.2.1. "If a plan defines a class broadly (e.g., drugs that influence the angiotensin–renin system) instead of narrowly (e.g., angiotensin receptor blockers [ARBs]), the formulary could cover fewer drugs for certain conditions," Huskamp at 663, especially because the plan need not offer more than two drugs in each class.

2019's three-program overlay. Rather, the note only projects increases in retirees' prescription drug **claims** and even these are uncertain.

Nonetheless, less than 40 percent of the dollar value of retirees prescription drug claims are a cost to the State. We know this from the fiscal note to 2020 House Bill 1230, which stated that, of the $313.1 million in projected 2022 retirees' prescription claims, the State's share would be $119.4 million (because the State Plan remained in effect). Thus, the State's cost was only 38 percent of total claims.

In that same fiscal note, the Department of Legislative Services projected that the State would be paying $37 million if the three 2019 programs superimposed on Medicare Part had been implemented.[4] Therefore, if the State could have off-loaded pre-2011 hires, the State would have saved $82.4 million in 2022.

The Senate Bill 578 fiscal note contains actuarially projected claims increases of $40.5 million in calendar year 2023 and 51.0 million in calendar 2024. Using the experienced rate for the cost to the State of 38%, the State's projected cost increase would be $15.4 million and $19.4 million, respectively. So, if the State could have off-loaded pre-2011 hires, the State would expect to have saved $82.4 million in 2022, and $97.8 million in 2023 and $101.8 million in 2024. In future years, this saving would fluctuate depending upon inflation, population increases that result from retirements, and population decreases because of retiree deaths. Because of the latter, sooner or later, the State's cost will go to zero.

This cost is very small for several reasons. First is the promise made to State employees for the dedicated service that we retirees delivered. The prescription drug benefit is, in fact, deferred compensation that we earned. Second, the State has paid the cost of this benefit every year in memory and no one ever has said or even argued that the current year cost was unaffordable. Third, in the context of a General Fund budget proposed as $58.2 billion for fiscal year 2023, $82.4 million represents a mere 0.014 percent of State expenditures; $97.8 million represents a mere 0.016 percent; and $101.8 million represents a mere 0.017 percent. Thus, continuing this benefit will have a negligible impact on State budget priorities.

To say that retirees are not worth less than 0.02 percent of annual expenditures – after decades of service to the State -- is to relegate State retirees to a very low rung in the context of State budget priorities. Moreover, it would fly in the face of the federal court's December 30, 2021 ruling that the State is bound to its retirees by a unilateral contract embedded in statute.

Maryland's AAA Bond Rating

In 2011 and in subsequent years, the proponents of off-loading State retirees onto Medicare Part D have raised the specter of Maryland losing its AAA credit rating because of long term costs of the State Plan. It was said that "failure to act may endanger the State's AAA

[4]No implementation plans ever were outlined, even when the members asked Department of Budget and Management Secretary David Brinkley directly in a briefing to the Joint Committee.

bond rating . . ."[5] Initially, it was proposed to off-load retirees immediately but, in the face of strenuous opposition, the Budget and Reconciliation Financing Act of 2011 was amended to postpone the termination until 2020, subsequently moved forward to the end of 2018.

The stated impetus was a change in government accounting principles adopted by the Government Accounting Standards Board ("GASB") in 2005. The thrust of this change was that Maryland and other states (and other governments) should account for their Other Post-Employment Benefits ("OPEB") in essentially the same way as private businesses - despite the significant differences between them, including a state's revenue generating activities and capabilities. Pursuant to GASB guidelines, Maryland has included with its balance sheet the present value of expected annual costs of the State Plan and other OPEB programs over a long term; this present value is called an unfunded OPEB liability. GASB guidelines also provide that, to sustain these long term costs, a government should set up an OPEB trust and annually fund that trust to cover current year OPEB costs plus an amount to cover a portion of future OPEB costs. This latter amount is referred to as pre-funding. If implemented, pre-funding would have been a departure from Maryland's pay-as-you-go policy for OPEB costs.

Maryland set up an OPEB trust in 2005 but, except for pre-funding in fiscal years 2007, 2008, and 2009, it has not departed from its pay-as-you-go policy. So, the fiscal notes continue to include reference to an unfunded OPEB liability and adds that this "may negatively affect the State's AAA bond rating."[6] But maybe not.

In truth, that has not happened yet. The size of the State Plan liability, or indeed of all OPEB liability, is not going to be solely responsible for a change in credit rating. This is because the rating agencies view those liabilities in the overall context of Maryland's balance sheet and its economic environment and, as has been cogently explained to this Committee in 2019, GASB never intended that its change in financial reporting requirements should be used to justify diminishing of OPEB benefits. See Exhibit 2, the March 3, 2019 written testimony of Edward R. Kemery, PhD, in the file of Senate Bill 193 (2019 session).

Notably, four states, Georgia, North Carolina, Texas, and Delaware, each having a significantly larger unfunded OPEB liability than Maryland, have continued to maintain their AAA bond ratings from each of the three major rating agencies.

So, it is worth repeating that the size of the State Plan liability alone is not sufficient to affect credit agency ratings. These agencies do not view unfunded liability in isolation. They look at it in the overall context of Maryland's balance sheet, its financial management record, and its economic environment. Surely, these agencies might prefer that all states pre-fund their OPEB liabilities and they may quibble if a state does not. However, that Maryland continues its pay-as-you-go policy in spite of this preference has not affected the agencies' judgment that Maryland is worthy of a AAA rating.

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[5]Public Employees' and Retirees' Benefit Sustainability Commission Interim Report at 25 (January 2011).

[6]Fiscal and Policy Notes, Senate Bill 946 and House Bill 1120 (2019 session) at 1; see also these Notes at 6.

Conclusion

Senate Bill 578 is a good solution to the retiree prescription drug benefits issue. It is good for the State and for its pre-2011 hires. If enacted, it also will represent a settlement of the Fitch litigation that is reasonable and fair for all.

Please issue a favorable report on Senate Bill 578.

SB 349 written testimony.pdf
Uploaded by: Kathleen Hart
Position: FWA

My name is Kathleen Hart. I began working at the University of Maryland in January 2001 and retired in 2017. I received my PhD from the University of Maryland in 1982 (focusing on gerontology) and was happy to return to work for my alma mater.

I realize that many of you were not legislators in 2011. Please look at the history of the 2011 legislation in regards to improving the State's bond rating. There are other suggestions being proposed to this Committee which will likely achieve the same end without removing the retiree prescription drug program.

I have three points to raise regarding the plan to eliminate the prescription drug program for retirees. I strongly support SB 349.

1. According to the original 2011 bill, the donut hole had closed and therefore retirees would not suffer financial issues if the benefit was eliminated. The donut hole is still an issue for many seniors in 2024. The possibility of seniors not being able to afford medications under Medicare Part D should be a concern for every legislator regardless of party affiliation.

I am including a link from the Medicare website describing this gap: https://www.medicare.gov/drug-coverage-part-d/costs-for-medicare-drug-coverage/costs-in-the-coverage-gap

This is a real issue. I am not sure where the information which was used to justify the change in the original bill which stated that Part D is comparable came from but it is not correct! Medicare addresses this issue **on their webpage in 2024.**

2. **How can legislators state that the costs will be comparable when there is no comparison data for the State plan vs. the Medicare Part D plan?** The State is not sharing information about the Health Reimbursement Arrangement and counseling program which is now out for bid. Selection for 2025 benefits will begin early this fall. This short amount of time will not give retirees very much time to understand the differences between the options. Choosing the correct plan with the formulary that includes your specific medications is critically important. I live in Howard County. There are numbers of older people who do not have a computer or access to the internet. How will they reasonably select the best plan? I realize that the State will have counselors to help retirees but how will they handle potentially 53,000 clients in a couple of months. The debacle with unemployment insurance during Covid, the prepaid college plan and the delay in tax refunds with the change in computer systems this year come to mind.

If the information on the donut hole was not correct in the original bill, why would legislators use data that is being provided to them which indicates costs will remain the same? Where is the data coming from? **I implore you to read and listen to the testimony of actual users of these systems, your fellow Marylanders.**

3. **I am suggesting that the State take a step back. Allow retirees to stay on the State plan one more year if they are not grandfathered into the plan they were promised as a benefit**. This year will give policy makers a chance to develop a well thought out plan for 2026. I feel that this is being rushed through and the data being used may not be valid. Another option would be to allow the retiree to pay for the State's portion of the plan in addition to their own, but my guess it that this would be cost prohibitive for most retirees.

I support grandfathering those who had been told in writing that they would receive prescription drug benefits when they retired. If you cannot support that, please consider moving implementation of this plan until 2026 so that data can be developed and shared with your constituents who have actual experience with the Medicare program. I am worried that some retirees will not be able to afford medications with potentially catastrophic results for some of these individuals. The reason behind the 2011 legislation was stated that Medicare Part D plans were comparable to the State's prescription drug plan. This is not true. The link above clearly shows the ongoing issue with the donut hole.

Kathleen Hart
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2024 dda My Story TEMPLATE (1).pdf
Uploaded by: Dorothy Fickenscher
Position: UNF

I'm the boss!
I self-direct!

Remove all references to ARTICLE – HEALTH – GENERAL Section 7-101 & 7-409 from SB0362 and HB 0352.

We are in opposition to any provision that alters the mandates of The Self-Direction of 2022.

Thank you for the Self-Direction Act of 2022

Preserving Individual and Family Directed Goods and Services (IFDGS) Matters to Me!

Debbie Fickenscher
(Elaine's Mom)
415 Russell Avenue Unit 1118
Gaithersburg, MD 20877

301-503-2344
Debbie.fickenscher@verizon.net

My DDA Self-Direction funding helps me to …

Live in my own place in the community.

Have support when needed on my jobs.

My staff make it possible for me to be an active participant in my community. For example, I am a member of interPLAY orchestra at Strathmore, swim and bowl with Special Olympics, participate in classes and activities with Potomac Community Resources (PCR), take classes at VisArts, and I am active in my church.

With IFDGS Funds:

Hire a Day-to-Day Administrator to help me and prepare for the time when my mom isn't able to do all she does now.

Hire a Community Builder to help me build relationships with my peers.

SDAN
Self-Directed Advocacy Network of Maryland, Inc.

testimony 1a.pdf
Uploaded by: Dorothy Fickenscher
Position: UNF

Dear Chairman Guy Guzzone
Vice Chair Jim Rosapepe
Members of the Budget and Taxation Committee

Re: SB0362

Please remove from this bill any reference to Article-Health-General Section 7-101 and Section 7-409. Please leave all the provisions of the Self Direction Act of 2022 (the Act) intact.

My daughter receives DDA waiver services under the self-directed service model. The changes proposed in the above referenced bill reverse a major provision of the Self-Direction Act of 2022, a law that helps assure parity between provider-managed and self-directed services. As the parent of a young adult who has flourished under self-direction, I want to do everything in my power to preserve and protect self-direction!

My concern is that the changes proposed in the above referenced bill reverse a major provision of the Self-Direction Act of 2022. The changes would allow DDA to

establish an *arbitrary* limit on Individual and Family Directed Goods and Services (IFDGS).

This cap will have a detrimental effect on my daughter's independence, community inclusion, health, and safety. IFDGS spending does not add additional funds, it merely allows access to the approved funds within the budget.

IFDGS is part of my daughter's approved plan and budget based on her assessed supports needs-direct services such as Personal supports, Community Integration, Job Supports. The rates for these services are set by DDA. The funds in the budget generated for her needs should be available to my daughter.

My daughter currently uses IFDGS funds to pay for a Community Builder who has helped her build her communication and relationship skills which have helped her expand her network of friends. She has also hired a Day-to-Day Administrator to begin to take on some of the tasks I do, so that when I am no longer capable (I am 79 and have Parkinson's), there will be someone on her team to step into my role. I should not need to tell you how putting an arbitrary cap on IFDGS will negatively impact my daughter now and in the future!

There is already a natural limit to my daughter's spending based on the amount in her budget. IFDGS is within the allocation of the approved budget. It is used to reach the outcomes and goals of my daughter's person-centered plan.

Please keep the provisions of the Self Direction Act of 2022 intact!

Dorothy Fickenscher

415 Russell Avenue, Apt 1118 Gaithersburg, MD 20877

debbie.fickenscher@verizon.net

SB 349 Written Statement.pdf
Uploaded by: Laura Vykol-Gray
Position: UNF

WES MOORE
Governor

ARUNA MILLER
Lieutenant Governor

Maryland
DEPARTMENT OF BUDGET AND MANAGEMENT

HELENE GRADY
Secretary

MARC L. NICOLE
Deputy Secretary

SENATE BILL 349 - State Prescription Drug Benefits - Retirees

STATEMENT OF OPPOSITION

DATE: February 26, 2024

COMMITTEE: Budget and Taxation

SUMMARY OF BILL: Senate Bill 349 would repeal provisions established by Chapter 397 of 2011 and Chapter 767 of 2019 which transitions Medicare-eligible retirees from the State's prescription drug plan to Medicare Part D. Senate Bill 349 would repeal this transition for retirees hired prior to July 1, 2011. Medicare-eligible retirees hired on or after July 1, 2011, would remain ineligible for State prescription drug benefits effective January 1, 2025.

EXPLANATION: Chapter 397 of 2011 made three changes to prescription drug benefits for Medicare eligible retirees. Most notably, it eliminated prescription drug coverage as of July 1, 2019, to coincide with improvements in Part D plans on the individual market. The elimination date was accelerated to January 1, 2019, due to further improvement in Part D plans and to align the elimination date with the State health plan's enrollment period.

Since 2011, there have been significant changes to Medicare Part D. Following the passage of the Inflation Reduction Act (IRA), Medicare Part D plans have been redesigned. The elimination of the catastrophic coverage tier in 2024 and the out-of-pocket spending threshold set at $2,000 in 2025 have greatly improved the value of the Medicare Part D plan.

The Kaiser Family Foundation's analysis of the Centers for Medicare and Medicaid Services 2023-2024 data show national enrollment in a stand-alone Medicare Part D plan is 41%. Another 44% are enrolled in Medicare Advantage w/ Prescription Drug (MAPD) plan. Only 9% of Medicare beneficiaries are enrolled in an employer-sponsored Employer Group Waiver Plan (EGWP). Thus, given the improvements, this is a feasible alternative for State retirees and consistent, nationally, with a majority of Medicare eligible beneficiaries.

Senate Bill 349 maintains the existing EGWP for prescription drug benefits for Medicare-eligible State retirees hired prior to July 1, 2011, and their Medicare-eligible dependents. Under current law, these Medicare-eligible retirees will transition fully onto Medicare Part D prescription drug plans effective January 1, 2025. The cost to continue the current EGWP as written in Senate Bill 349 over the next five

years is projected to be approximately $1.22 billion. Future costs would be dependent upon plan design, eligible drugs and overall trends. The expected cost for plan years 2025 through 2029 is reflected in the table below*:

	Proposed by SB349	Current Law	Increase w/ SB 349
CY 2025	$ 202,590,000	$ 10,290,000	$ 192,300,000
CY 2026	$ 223,760,000	$ 66,970,000	$ 156,790,000
CY 2027	$ 244,040,000	$ 76,140,000	$ 167,900,000
CY 2028	$ 266,100,000	$ 85,850,000	$ 180,250,000
CY 2029	$ 290,080,000	$ 96,140,000	$ 193,940,000
Total	**$1,226,570,000**	**$335,390,000**	**$ 891,180,000**

***Notes:**

- The Senate Bill 946 cost in 2025 is offset by lagged rebates and EGWP subsidies of approximately $48 million that are expected in the first quarter of CY2025.

- Senate Bill 946 cost assumes full utilization of Health Reimbursement Accounts (HRA). Based on historical drug costs, we would project that 15% to 20% of HRA amounts would not be utilized if the State limits the program to only reimbursing for Part D Out-of-Pocket (OOP) costs.

Separately, the projected impact on Other Post Employment Benefits (OPEB) liability results is measured relative to the most recently completed valuation as of June 30, 2023, which assumed that prescription drug benefits for Medicare-eligible retirees under Senate Bill 946 would be implemented through a reimbursement setup effective January 1, 2025. The OPEB impact is summarized in the table below:

Impact on OPEB under SB 349 as compared to current law

Increase in Net OPEB Liability	$7,730 million
Increase in OPEB Expense (Year 1)	$7,842 million
Increase in OPEB Expense (Years 2+)	$115 million

Net OPEB Liability as of June 30, 2023 = $11.1 billion
Estimated Net OPEB Liability with SB 349 = $18.8 billion

POSITION: OPPOSE. DBM opposes this legislation due to both the ongoing annual costs and impact to the State's OPEB liability. Further, following the District Court's order granting summary judgment to the State on September 29, 2023, and in accordance with Chapter 767 of 2019, DBM is in the process of transitioning Medicare-eligible retirees onto Medicare Part D plans effective January 1, 2025.

To comply with the current law, DBM and the Employee Benefits Division (EBD) is currently soliciting a vendor to assist retirees one-on-one with their transition to a Medicare Part D prescription drug plan. Retirees were informed of the change to their coverage and notified of the high level of direct support they will receive with this transition. In addition to mail communication and updates to various DBM websites, the State will hold information sessions in each Maryland county to support retirees through this transition. EBD staff are currently assisting retirees with questions and current information available about the transition. Medicare-eligible retirees will be notified of the State's vendor selection and reminded of the support available to them in the second quarter 2024.

For additional information, contact Laura Vykol-Gray at
(410) 260-6371 or laura.vykol@maryland.gov