

HB 273

HOUSE BILL NO. 273

IN THE LEGISLATURE OF THE STATE OF ALASKA

SEVENTEENTH LEGISLATURE - FIRST SESSION

BY REPRESENTATIVE GRUENBERG

Introduced: 4/12/91

Referred: State Affairs, Finance

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to reimbursement for certain Medicare premium charges for persons
2 receiving benefits from the teachers' retirement system, the judicial retirement system, the
3 elected public officers retirement system, and the public employees' retirement system."

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

5 * Section 1. AS 14.25.168(b) is amended to read:

6 (b) After an election of coverage under this section, major medical insurance coverage
7 takes effect on the same date as retirement benefits begin and stops when the member or
8 survivor is no longer eligible to receive a monthly benefit. The coverage for persons age 65 or
9 older is the same as that available for persons under age 65. The benefits payable to those
10 persons age 65 or older supplement any benefits provided under the federal old age, survivors
11 and disability insurance program. A person who is at least 65 years old and who is receiving
12 a monthly benefit under the system shall be reimbursed annually for the premium charges
13 the person has paid for Part B of the federal Medicare program covering the person.

14 * Sec. 2. AS 22.25.090(b) is amended to read:

1 (b) Except as provided in (d) of this section, major medical insurance coverage takes
2 effect on the same date as retirement benefits begin, and stops when the retired person or
3 survivor is no longer eligible to receive a monthly benefit. The coverage for persons age 65 or
4 older is the same as that available for persons under 65. The benefits payable to those persons
5 age 65 or older supplement any benefits provided under the federal old age, survivors, and
6 disability insurance program. A person who is at least 65 years old and who is receiving a
7 monthly benefit under the system shall be reimbursed annually for the premium charges
8 the person has paid for Part B of the federal Medicare program covering the person.

9 * Sec. 3. AS 39.35.535(b) is amended to read:

10 (b) Except as provided in (d) of this section, after an election of coverage under this
11 section, major medical insurance coverage takes effect on the same date that benefits begin, and
12 stops when the member or survivor is no longer eligible to receive a monthly benefit. The
13 coverage for persons age 65 or older is the same coverage available for a person under 65. The
14 benefits payable to persons age 65 or older supplement any benefits provided under the federal
15 old age, survivors and disability insurance program. A person who is at least 65 years old and
16 who has elected to receive major medical coverage under this section shall be reimbursed
17 annually for the premium charges the person has paid for Part B of the federal Medicare
18 program covering the person.

19 * Sec. 4. Notwithstanding former AS 39.37.145, a person who is at least 65 years old and who is
20 receiving a monthly benefit under the elected public officers retirement system shall be reimbursed
21 annually for the premium charges the person has paid for Part B of the federal Medicare program
22 covering the person.

FISCAL NOTE

1

Bill Version: HB 273

(H) Publish Date: 5/16/91

STATE OF ALASKA
1991 LEGISLATIVE SESSION

Revision Date: _____
Title: An Act relating to reimbursement of certain medicare premiums.

Department Affected: Administration
BRU: Retirement and Benefits

Sponsor: Gruenberg
Requestor: _____

Component: Retirement and Benefits

COMPONENT SERIAL NO. 64

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97
PERSONAL SERVICES	21.7	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	72	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	28.9	0	0	0	0	0

CAPITAL	0	0	0	0	0	0
---------	---	---	---	---	---	---

REVENUE	0	0	0	0	0	0
---------	---	---	---	---	---	---

FUNDING: (Thousands of dollars)

GENERAL FUND	72	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
OIIIR	21.7	0	0	0	0	0
TOTAL	28.9	0	0	0	0	0

POSITIONS

FULL-TIME:	0	0	0	0	0	0
PART-TIME:	0	0	0	0	0	0
TEMPORARY:	0	0	0	0	0	0

Estimate of current year impact: _____

ANALYSIS: (attach a separate page if necessary.) This analysis is written with the assumption that the bill would not become effective until FY 92.
THE BILL IS ESTIMATED TO COST ALL STATE AGENCIES \$9491.7 IN INCREASED PERSONAL SERVICES COSTS.
THE BILL IS ESTIMATED TO COST POLITICAL SUBDIVISIONS AND SCHOOL DISTRICTS \$9,394.0 IN FY 92.
See pages 2-4 for a detailed analysis.

Prepared By: Gary Bader
Division: Retirement and Benefits

Phone: 465-4461
Date: 4/29/91

Approved by Commissioner: Millet Keller
Agency: Department of Administration

Date: 4/30/91

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, OMB & Impacted Agency(ies).

House Bill 273
Analysis of Financial Impact
Prepared by the Division of Retirement and Benefits
Department of Administration
April 26, 1991
Page 2 of 4

This analysis is written with the assumption that Part B premium reimbursement could be made on a monthly basis rather than annually and that all PERS, TRS, JRS, and EPORS retirees over the age of 65 would receive reimbursement. Passage of this bill will require a number of changes in the data processing system to automate the reimbursement requirements for eligible retirees. These changes would be accomplished with an existing analyst/programmer IV for an estimated three months. The estimated total cost for the additional personal services is \$21,741.15, including benefits.

There will be an impact to the State for employer contributions and direct benefit payments to the Elected Public Officers Retirement System (EPORS) retirees. The number of EPORS retirees is assumed to remain level with a 10 percent annual increase to the Medicare Part B premiums.

The bill is estimated to increase the State's contributions by 1.43% of the Public Employees' Retirement System (PERS) payroll, 1.21% of the Teachers' Retirement System (TRS) payroll and 0.66% of the Judicial Retirement System (JRS) payroll. The FY 92 State PERS payroll, including the University of Alaska, is estimated to be \$607,917,241 (State \$545,579,183, and University of Alaska \$62,338,058). It is assumed payroll to remain level each year thereafter.

The FY 92 State TRS payroll, including the University of Alaska, is estimated to be \$63,906,434 (Department of Education/Legislature \$6,537,114, and the University of Alaska \$57,369,320). TRS salaries are also assumed to remain level each year thereafter.

The FY 92 State JRS payroll is estimated to be \$2,727,216. JRS salaries are assumed to remain level thereafter.

The total estimated FY 92 cost to the State of \$9,491.7 is calculated as follows:

COMMITTEE COPY

Estimated State PERS FY 92 payroll	\$545,579,183	
PERS contribution rate increase	x <u>1.43%</u>	
State total PERS cost		\$7,801.8

Estimated University of Alaska PERS FY 92 payroll	\$62,338,058	
PERS contribution rate increase	x <u>1.43%</u>	
U of A total PERS cost		\$891.4

Estimated Department of Education/ Legislature TRS FY 92 payroll	\$6,537,114	
TRS contribution rate increase	x <u>1.21%</u>	
DOE/Leg total TRS cost.....		\$79.1

Estimated U of A TRS FY 92 payroll	\$57,369,320	
TRS contribution rate increase	x <u>1.21%</u>	
U of A total TRS cost		\$694.2

Estimated State JRS total FY 92 payroll	\$2,727,216	
JRS contribution rate increase	x <u>0.66%</u>	
State total JRS cost		\$18.0

Payments for Medicare Part B premiums to eligible EPORS members would come directly from general funds since the EPORS is not actuarially funded.

The total estimated FY 92 EPORS cost of \$7.2 is calculated by multiplying the estimated number of eligible EPORS members (20) times the Medicare Part B premium (\$29.90) times 12 months:

State total EPORS cost	\$7.2
------------------------------	-------

In addition to the State cost there would also be an increase in the political subdivisions' contribution rate to the PERS by 1.43% of PERS payroll and school districts' contribution rate to the TRS by 1.21% of TRS payroll. The FY 92 PERS payroll for political subdivisions is estimated to be \$409,599,379. The FY 92 TRS payroll for school districts is estimated to be \$384,476,586. Salaries for both systems are assumed to remain level each year thereafter.

COMMITTEE COPY

The total estimated FY92 cost to these entities of \$10,509.5 is calculated as follows:

Estimated political subdivision
 FY 92 payroll \$409,599,379
 PERS contribution rate increase x 1.43%
 Political subdivision total PERS cost \$5,857.3

Estimated school district
 FY 92 payroll \$384,476,586
 TRS contribution rate increase x 1.21%
 School district total TRS cost \$4,652.2

INCREASE IN FY 92 COSTS DUE TO
 REIMBURSEMENT OF MEDICARE PART B PREMIUMS

Employer	System				TOTAL
	PERS	TRS	JRS	EPORS	
State	\$8693.2	\$773.3	\$18.0	\$7.2	\$9491.7
Political Subdivisions and School Districts	\$5857.3	\$4652.2	N/A	N/A	\$10509.5

COMMITTEE COPY

MEMORANDUM

TO: Max Gruenberg
FROM: Mark Handley
DATE: April 19, 1991
RE: Sectional Analysis of HB 273, Medicare
reimbursements

Section 1

AS 14.25.18(b) amends the statute that grants major medical insurance coverage to persons who are at least 65 years old and who are receiving monthly benefits from the teachers' retirement system. The new language provides that those individuals who have made mandatory payments of premiums or supplemental premiums for Part B of the federal Medicare coverage be reimbursed annually for those expenses.

Section 2

AS 22.25.090(b) amends the statute that grants major medical insurance coverage to persons who are at least 65 years old and who are receiving monthly benefits from the judicial retirement system. The new language provides that those individuals who have made mandatory payments of premiums or supplemental premiums for Part B of the federal Medicare coverage be reimbursed annually for those expenses.

Section 3

AS 39.35.535(b) amends the statute that grants major medical insurance coverage to persons who are at least 65 years old and who are receiving monthly benefits from the public employees' retirement system. The new language provides that those individuals who have elected to receive major medical coverage, and have made mandatory payments of premiums or supplemental premiums for Part B of the federal Medicare coverage be reimbursed annually for those expenses.

Section 4

Adds temporary law that provides persons who are at least 65 years old and who are receiving monthly benefits from the old elected public officers' retirement system, under former AS 39.37.145, and have made mandatory payments of premiums or supplemental premiums for Part B of the federal Medicare coverage be reimbursed annually for those expenses.

MEDICARE EXPLANATION

Medicare is a federal health insurance program for people age 65 or older, people of any age with permanent kidney failure, and certain disabled people under 65. Medicare has two parts: hospital insurance (Part A) and medical insurance (Part B).

Medicare Hospital Insurance Benefits (Part A): When all program requirements are met, Medicare Part A will help pay for medically necessary inpatient care in a hospital, for medically necessary inpatient care in a skilled nursing facility, and for hospice care. In addition, Part A pays the full cost of medically necessary home health care and 80 percent of the *approved* cost for durable medical equipment supplied under the home health benefit. An individual who is entitled to benefits under the Social Security system is entitled to enroll in Part A.

Medicare Medical Insurance Benefits (Part B): Part B helps pay for physician services, outpatient hospital services, and many other related medical services and supplies not covered by Part A. Part B is optional and is offered to all individuals when they enroll in Part A. It also may be purchased by individuals who do not qualify for Part A coverage.

Health care coverage under the PERS and TRS medical plan is supplemental to Medicare. The PERS and TRS plan will pay only that portion of covered expenses which is not covered by Medicare. Therefore, in order for medical services to be paid at the maximum level, an individual must be enrolled in Part B.

OPINION

Medicare act Catastrophe?

Upon enactment of the Catastrophic Health Care Act, the higher income brackets will have to pay a flat monthly premium of \$10.20 in 1993 — a 28 percent surtax on income. For Medicare beneficiaries with annual incomes of just over \$800 per individual, the surtax could top out at \$800 per individual. For those with annual incomes of just over \$10,000, the surtax could top out at \$10,000 per individual. For those with annual incomes of just over \$100,000, the surtax could top out at \$100,000 per individual. For those with annual incomes of just over \$1,000,000, the surtax could top out at \$1,000,000 per individual.

These surtaxes are onerous and regressive. There are many useful Medicare coverage options. The new Medicare coverage benefits are illusory at best.

The act touts the expansion of Medicare coverage from 60 days to 365 days. The government's own statistics show that a 65-year-old individual stays in a hospital for an average of 18 days.

What stays is the Prospective Payment System (PPS) related groupings, which will result in a reduced fee for a specific diagnosis. For example, if a patient has an appendectomy, the Medicare coverage refers to "short-term care" coverage and approved coverage. If a condition required more than 90 days of coverage, it is likely not to be approved, and the patient would have to pay for extra coverage. Hospitals try to move seniors into long-term care facilities as quickly as possible.

The act's coverage of skilled nursing care is reduced from 100 days to 100 days of inadequate and it does not cover the high costs of long-term care.

LETTERS

Catastrophic care: Serious burden

The national Catastrophic Health Care Act was passed (and signed by President Reagan) last year with the active support of our congressman and senators. The additional premium is a nominal \$4 a month if you don't pay any income tax, but taxpayers will also pay \$22.50 per \$150 of tax initially, rising to \$42 per \$150 by 1993 subject to further upward adjustments thereafter. There is a cap of \$800 per taxpayer but this too adjusts upward. In reality, the sky's the limit. This will be a very serious burden on all older taxpayers living on fixed (and shrinking) incomes.

We objected to this bill to Senator Murkowski before it was passed and got a noncommittal reply, the basic message of which was that this new benefit was going to be just great for everyone, and anyone who didn't understand this was just confused. To be charitable, I don't think Congress realized the full impact of what it was doing. Now that it's done, I think they should take another look at it and repeal it, if it can't be fixed any other way. (A recent news-

The basic message was that this new benefit was going to be just great for everyone . . .

paper column by Joan Beck spelled out how we've been hoodwinked.

What is the position of OPAG on this subject? Is OPAG in a position of influence at the national level? Can it — will it — use its influence to try and get this terrible piece of legislation changed or repealed?

Thank you for your consideration.

Kenneth L. Crewdson
Anchorage

OPAG board member Jorge Hix wrote this reply:

We are concerned with some provisions of the Catastrophic Health Care Act. We think the following items should be addressed or better explained to us, now that the act is implemented.

The strange tax increase on the elderly — (1) The additional progressive charges to Medicare part B that will eat up the cost of living increases on our Social Security payments; and (2) the senior progressive income tax addition, that is not an "income" tax because it applies strictly to a select group. A person paying \$5,333 will pay an additional \$800 in 1989. A person paying \$50,000 will also pay an additional \$800. What kind of an income tax is this?

The AIDS fund on Medicare — This act will benefit a very small proportion of the senior because it does not include nursing homes and in general applies only to intensive care AIDS patients will become eligible for Medicare after being unable to work for two years and their tremendous medical costs will come from the fund.

For the first time a single group of taxpayers is being singled out for taxation.

If we are going this route, let the parents of school-age children be taxed to pay for the school system and leave us out of it.

Shearson Lehman calls appreciated

I certainly want to thank Senior Voice for calling to my attention the opportunity Senior Citizens in Southcentral Alaska had on 17 December 1988. I felt fortunate to be able to respond to the kind invitation of Shearson

I saw the announcement in Senior Voice in plenty of time to make my reservation and write my family to ask them to be at home at a specific time.

The advance announcement also gave me the opportunity to arrange my timetable for

The chance to make this particular long distance call was certainly the highlight of my day, as I was able to talk to my two grandchildren, one of whom I have not seen yet, for more than just a few minutes.

Sincere!



NEA-ALASKA

AFFILIATED WITH THE NATIONAL EDUCATION ASSOCIATION

ANCHORAGE REGIONAL OFFICE

1411 W. 33RD AVENUE
ANCHORAGE, ALASKA 99503
(907) 274-0536
FAX: (907) 274-0551

JUNEAU OFFICE

105 MUNICIPAL WAY, SUITE 302
JUNEAU, ALASKA 99801
(907) 586-3090
FAX: (907) 586-2744

FAIRBANKS REGIONAL OFFICE

2118 CUSHMAN STREET
FAIRBANKS, ALASKA 99701
(907) 456-4435
FAX: (907) 456-2159

May 6, 1991

**To: Representative Kubina, Chair
Members, House State Affairs Committee**

Re: HB 273; "An Act relating to reimbursement for certain Medicare premium charges for persons receiving benefits from the teachers' retirement system, the judicial retirement system, the elected public officers retirement system, and the public employees' retirement system."

NEA-Alaska supports and strongly encourages your favorable consideration of HB 273.

Currently, at age 65, retirees are required to pay the premium costs for Medicare B for physicians services as a supplement to the health insurance coverages provided under the retirement systems. This represents a substantial decrease in premium costs to the systems while placing an added financial burden on retirees.

Because of fixed incomes and the erosion of inflation this additional financial burden for retirees comes at a time when they can least afford it.

Retirees should have continued access to full health care coverage without having to assume additional financial burdens for basic coverage and health care services.

We need your support for HB 273. Thank you for your consideration of our recommendation.

Respectfully submitted,

Bob Manners
Executive Director

Don Oberg
President

cc: Representative Gruenberg



NEA-ALASKA

AFFILIATED WITH THE NATIONAL EDUCATION ASSOCIATION

ANCHORAGE REGIONAL OFFICE

1411 W. 33RD AVENUE
ANCHORAGE, ALASKA 99503
(907) 274-0536
FAX: (907) 274-0551

JUNEAU OFFICE

105 MUNICIPAL WAY, SUITE 302
JUNEAU, ALASKA 99801
(907) 586-3090
FAX: (907) 586-2744

FAIRBANKS REGIONAL OFFICE

2118 CUSHMAN STREET
FAIRBANKS, ALASKA 99701
(907) 456-4435
FAX: (907) 456-2159

March, 1991

MEDICARE, PART B

When benefit recipients under Alaska public employee retirement systems reach age 65, in order to continue critical health care benefits, specifically physician care services, they must pay the premium costs for this coverage under Medicare, Part B.

The current monthly premium costs for this coverage to individuals is \$30+ per month. For many of these people this additional financial burden puts a severe strain on their already fixed and limited incomes.

During the 1989 fiscal year, the Teachers' Retirement System paid a monthly health insurance premium of \$267.43 for retirees under the age of 65 and \$76.37 for those 65 and older. Therefore, health insurance costs to retirees 65 and older was just 29% of the costs for those under age 65. Even if TRS had been paying for the full Medicare Part B premium the cost to the TRS would have been approximately only 40% of the health insurance costs for retirees under age 65.

It is time to rectify this inequity and possible discriminatory practice. Those who retire from the Alaska public employment retirement systems cannot afford an additional financial burden when their fixed incomes are least able to handle it and when the probability of their need for critical health care services has increased significantly.

NEA-ALASKA RETIRED



PRESIDENT
Dr. Merril C. Olson
1038 W. 11th Avenue
Anchorage, AK 99501
(907) 272-9188

VICE PRESIDENT
Graham Ward
Box 23
Chenega, AK 99568
(907) 822-3688

SECRETARY/TREASURER
Jean Robb
Box 188
Ketchikan, AK 99732
(907) 442-3810

DIRECTORS-AT-LARGE
Bill Potter
1587 Evergreen
Juneau, AK 99801
(907) 588-2247

Roxy McDonagh
402 E. 23rd Avenue
Anchorage, AK 99503
(907) 272-0857

Donald P. Schulz
4101 Abbott Road
Anchorage, AK 99507
(907) 344-4828

REGION R DIRECTOR
NEA-AK BOARD
H.P. "Hank" Harrison
Box 110328 Ste. 21a
Anchorage, AK 99511
(907) 783-3848

1411 West 33rd Avenue
Anchorage, Alaska 99503
(907) 274-0538

REIMBURSEMENT FOR MEDICARE PART B PREMIUM FOR RETIRED TEACHERS AND RETIRED STATE EMPLOYEES

Under current statutes, teachers and public employees retiring as of July 1990 have premium-free basic health insurance until age 65. At the age of 65 retirees must enroll in the Medicare Part B program for physician care benefits and pay the monthly premium for coverage. The state health insurance becomes secondary coverage only.

For fiscal year 1989 the Teachers' Retirement System (TRS) paid a monthly premium of \$267.43 for retirees under age 65 and \$76.37 for those 65 and older. The insurance cost to the state (TRS) for 65-year-old retirees was just 29 percent of the premium cost for retirees under age 65.

Had the TRS reimbursed for the Medicare Part B premium in fiscal year 1989, the total cost for retirees 65 and older would have been well under one-half the cost for those retirees under age 65.

Retirees in Alaska have been aware of this inequity for many years. But it is only very recently that the federal government has addressed such inequities as a national problem.

The result was the passage by Congress of the OLDER WORKERS BENEFIT PROTECTION ACT, which was signed by President Bush this past year. The measure prohibits employers from providing health and retirement benefits that discriminate by age. The requirement is that the employer incur the same cost in purchasing benefits for all workers, regardless of age.

A legislative bill that incorporates the ideas expressed in Senator Duncan's SB 13, introduced in the 16th Legislature, would not equalize the costs for the employer (the state), but it would provide equity in costs to retirees. While not meeting the full intent of the federal legislation, a resurrected SB 13 would tend to alleviate the discrimination on the basis of age.