

HB

273

HOUSE COMMITTEE REPORT

(7)

Date Referred: April 12, 1991

FURTHER REFERRALS:

Finance

Date of Committee Action: 5-15-91

The STATE AFFAIRS Committee considered:

HB 273

HOUSE BILL NO. 273

PAYMENT FOR MEDICARE PREMIUM CHARGES

"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."

RECOMMENDATIONS:

be replaced with _____ the same title

have attached amendments(s) a new title

do pass

do not pass

no recommendations

individual recommendations

additional referral to the _____ Committee

ADOPTS: _____ letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept)

APPROVES PREVIOUS: (Dept/Date)

fiscal impact Admin-Retirement/Benefits fiscal note(s) _____

zero fiscal note _____ zero fiscal note(s) _____

SIGNING DO PASS	DP	OTHER RECOMMENDATIONS	DNP	NR	AM
<i>Mark Stuenkel</i>	-	<i>Tom Meyer</i>		✓	
<i>Gene Kubera</i>		<i>Fred D. D'Alagni</i>		✓	
		<i>David Hoskins</i>		✓	
		<i>Mike Miller</i>		✓	
<i>E. Grant</i>	-				

Gene Kubera
CHAIRMAN'S SIGNATURE



Official Business

Alaska State Legislature

HOUSE OF REPRESENTATIVES

House State Affairs Committee

P.O. Box V
State Capitol
Juneau, Alaska 99811

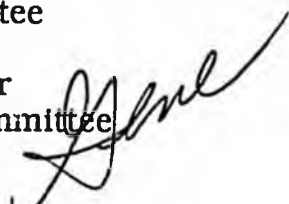
May 15, 1991

MEMORANDUM

TO: Rep. Eileen Maclean and Rep. Mike Navarre, Co-Chairs
House Finance Committee

FROM: Rep. Gene Kubina, Chair
House State Affairs Committee

SUBJECT: HB 273



During this morning's meeting, the House State Affairs Committee heard HB 273, relating to payment for Medicare charges. The bill was passed out of committee and signed with individual recommendations. It also carries with it a fairly substantial fiscal note from the Division of Retirement and Benefits and the potential for greater expense to the State as Medicare premiums increase..

The House State Affairs Committee respectfully requests that the House Finance Committee give careful consideration to HB 273 and examine alternatives for funding to address the fiscal impact of the bill.

FISCAL NOTE

BILL NO. HB 273

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: Cruenberg
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
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REVENUE	0	0	0	0	0	0
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FUNDING: (Thousands of dollars)

GENERAL FUND	72	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	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: 465-4460

Date: 4/29/91

Approved by Commissioner: Millett 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:

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
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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.

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



NEA-ALASKA

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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

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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.

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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.



House State Affairs Committee

Representative Gene Kubina, Chair

DATE: May 13, 1991

PLACE: Capitol, Room 102

SUBJECT OF MEETING:

- *HB 42 - Relating to Health Benefits for Part-Time St. Employees
- *HB 273 - Relating to Payment for Medicare Premium Charges
- *HB 308 - Relating to Adoption of Emergency Regulations

NAME	REPRESENTING	BUSINESS/PERSONAL MAILING ADDRESS	ZIP	(H) PHONE	(W) PHONE	DO YOU WANT TO TESTIFY?	WHAT SUBJECT/ WHICH BILL?
BOB STALNAKER	RETIREMENT	P.O. Box CR			4470	Y (N)	IF NEEDED HB 273
JEFF BUSH	A.G.'s Ofc.	P.O. Box K, Juneau	99811		465-3600	(Y) N	HB 308
DAVID OTTO	PERSONAL	PO C-0201	99811		4430	(Y) N	HB 42
						Y N	
						Y N	
						Y N	
						Y N	
						Y N	
						Y N	
						Y N	



House State Affairs Committee

Representative Gene Kubina, Chair

DATE: May 13, 1991

PLACE: Capitol, Room 102

SUBJECT OF MEETING:
 SB 70 - Relating to Municipal Taxation of Certain St. Property
 SJR 6 - Relating to Desecration of U.S. Flag

NAME	REPRESENTING	BUSINESS/PERSONAL MAILING ADDRESS	ZIP	(H) PHONE	(W) PHONE	DO YOU WANT TO TESTIFY?		WHAT SUBJECT/ WHICH BILL?
MIKE WORLEY	DCRA	PO B JUN 99811		5-4787		<input checked="" type="radio"/> Y	<input type="radio"/> N	SB 70
MERRITT OLSON	NEA-Alaska Retired	1032 W. 11th Ave. Anchorage		272-9150		<input checked="" type="radio"/> Y	<input type="radio"/> N	SB 273
Scott Burgess	AMU	Juneau			6-1225	<input checked="" type="radio"/> Y	<input type="radio"/> N	SB 70
Elizabeth Cuadra	City of Craig	P.O.B 21211 Juneau 99802		789-2084	586-3340	<input checked="" type="radio"/> Y	<input type="radio"/> N	SB 70
Paula Greening	CBJ	217 Second St June 201		586-4070	586-8110	<input type="radio"/> Y	<input checked="" type="radio"/> N	SB 70
						<input type="radio"/> Y	<input type="radio"/> N	
						<input type="radio"/> Y	<input type="radio"/> N	
						<input type="radio"/> Y	<input type="radio"/> N	
						<input type="radio"/> Y	<input type="radio"/> N	
						<input type="radio"/> Y	<input type="radio"/> N	
						<input type="radio"/> Y	<input type="radio"/> N	