

March 7, 2014

TESTIMONY for S.B. No. 342

Dear Senator Bye, Representative Walker and members of the Appropriations Committee;

Thank you for raising S. B. No. 342 and affording us the opportunity to speak to you about restoring reimbursements under the retiree drug subsidy provisions of Medicare Part D to the retired teachers' health insurance premium account (HIPA). I am Sandra Bove, Legislative Committee Co-Chair for the Association of Retired Teachers of Connecticut.

The intent of the insurance fund is to defray insurance costs during our retired years. When in 2004, our Health Insurance Fund was in jeopardy, paying out more than it was taking in, active teachers increased their contribution to 1.25%. Retired teachers increased their contribution to insurance costs to $\frac{1}{3}$. HIPA contributed $\frac{1}{3}$ and the State promised to contribute $\frac{1}{3}$ of retired teachers insurance costs. Under this plan, the HIPA became financially sound.

In 2010-2011, The State did not contribute their $\frac{1}{3}$ contribution. In the 2012 June special session, the statute, Section 21 (found in section 102 of PA 12-1) specifically public act 10- 183t(a), was passed stating, "federal reimbursements received by the retirement board under the retiree drug subsidy provisions of Medicare Part D shall be used to offset amounts appropriated by the state to the board pursuant to this subsection." Traditionally, this reimbursement money was a separate revenue line item to the TRB. In 2013 & 2014, the state's contribution to HIPA was reduced from $\frac{1}{3}$ to $\frac{1}{4}$. The loss of revenue to the HIPA account over the next two years alone is approximately 40 million dollars. The State is presently actually contributing $\frac{1}{8}$ of retiree's health insurance costs.

Factors that are presently impacting the viability of the retired teachers Health Insurance Fund are as follows: 1) The number of active teachers contributing to the fund is down by 4,000 since 2010. 2) The number of retirees has increased by 1,250 since 2010. 3) The State is using the retired teachers Medicare reimbursement funds to offset its contribution to the fund. This is a loss of approximately \$9,000,000 this year. 4) The State has reduced its promised $\frac{1}{3}$ contribution to a $\frac{1}{4}$ contribution. 5) The Governor is presently proposing to take 2 million dollars from our insurance fund.

Retired teachers pay for the bulk of their own insurance through insurance premium payments and from their insurance fund, HIPA. The insurance fund is dwindling, and insurance costs are rising. I

am concerned for all active teachers presently contributing to the fund who believe that the fund will defray insurance costs during their retirement years as intended. I am worried for all retirees who presently depend on the fund to help them with medical costs.

I am asking you to make a fiscally sound decision in the best interest of all 86 thousand active and retired teachers in Connecticut. Please act favorably on S. B. No. 342. Restoring reimbursements under the retiree drug subsidy provisions of Medicare Part D to the retired teachers' health insurance premium account would have a positive financial impact on the fund.

I appreciate the support retired and active teachers have received from your committee over the years. Thank you for taking the time to read my testimony.

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RETIRED TEACHERS HEALTH INSURANCE FACTS

Thirty-three thousand retired teachers of Connecticut do not have the health benefits that Retired Connecticut State Employees receive. Retired teachers are not members of the State Employees Bargaining Agent Coalition (SEBAC). Retired teachers pay the bulk of their own insurance.

The original intent of the TRB Health Insurance Premium Account (HIPA) was to defray the health insurance premiums for retired teachers. The State promised to contribute an estimated 1/3 of this cost. The remainder is paid by educators, active and retired.

- 53,000 active teachers contribute 1.25% of their salary into HIPA.
- 33,000 retired teachers contribute their premium share.

RECENT LEGISLATIVE CHANGES AND PROPOSALS:

- Section 21 of the biennial budget for FY 2014 and FY 2015 reduces the state's one-third share of the Teachers Retirement Board retiree health services costs to one-fourth and municipal health subsidy to one-fourth. **This is a reduction of 21.6 million dollars.**
- A 2012 statute change (found in section 102 of PA 12-1, June special session) the public act (10- 183t(a) states "... subsidy provisions of Medicare Part D shall be used to offset amounts appropriated by the state to the board pursuant to this subsection."
- According to the TRB's fiscal summary, this statute change results in a projected loss for FY 2014 and FY 2015 of \$8,745,781 and \$9,232,886 respectively. **This is an additional reduction of approximately 18 million dollars.**
- **The reduction of the State's contributions and the RDS offset total a loss of approximately 40 million dollars to the Health Insurance Premium Account over the next two years. The State's actual contribution is approximately 1/10 of the cost of a retired teachers health insurance.**
- The Governor's Bill No. 5034 proposes to make a deficiency appropriation of **2 million dollars from Teacher Retirees Health Service Cost** for FY ending June 30, 2014.

WITH THE INCREASE OF RETIREES, THE RISING HEALTH CARE COSTS, AND THE STATE'S NOT CONTRIBUTING ITS PROMISED SHARE, THE FUND IS DWINDLING AND IS PROJECTED TO BE IN JEOPARDY.



Association of Retired Teachers of Connecticut

The Association of Retired Teachers of Connecticut (ARTC) is a non-profit organization of retired teachers that represent 16,000 members/affiliates and advocate for 33,000 CT retired teachers.

Our Contributions to the Retirement System

Mandatory Contributions as Active Teachers:

6% to Retirement Fund

1.25% Health Insurance Premium Account (HIPA)

Contribution to Medicare Part A (Federal mandate as of April 1, 1986)

2013 Retiree Costs for Health Insurance

Teachers who do not have Medicare pay approximately \$400 up to \$1,200 per person per month (varies with coverage and local boards of education (LBE) contracts) in addition to the \$110 supplement (has not increased since 1996).

Retirees who purchase their supplement through Stirling Benefits (not including dental, eye and hearing) pay \$97 per month plus their Medicare costs. Retirees' monthly premium costs coupled with monies paid from the HIPA fund results in retired teachers paying the bulk of their insurance coverage.

Health Insurance Premium Account History (HIPA)

1989 - 1990 Insurance costs - 75% paid by HIPA and 25% paid by State, no cost to retiree. (Cost \$86.)

1996 - Solvency of Health Plan in trouble. (Due to increased insurance costs and more retirees.)

2000 - 25% of insurance costs shifted to the retiree.

2003 - Active teacher contributions to HIPA increased to 1.25% from 1%.

2004 - State/HIPA/Retiree 1/3 Plan of contributions.

2010 & 2011 - No $\frac{1}{3}$ contribution from State to HIPA.

2012 - Full Contribution including Medicare reimbursements to HIPA.

2012 - Statute passed allowing State to use Medicare reimbursements toward its promised contributions.

2013 & 2014 - State's contribution reduced from $\frac{1}{3}$ to $\frac{1}{4}$. Medicare reimbursements used as part of the State's contribution, reducing the State's contribution to $\frac{1}{8}$. HIPA makes up the difference, resulting in no premium increases for retirees.

2014 - Reduction in funding since 2010 is projected to put the HIPA in jeopardy by 2018.

2014 - Proposal to transfer 2 million from HIPA into the deficiency budget.