

TESTIMONY OF CATHERINE D'AGOSTINO

LEGISLATIVE CO-CHAIR

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APPROPRIATIONS COMMITTEE

MARCH 7, 2013

RE: SB 342, AAC THE RETIRED TEACHERS' PREMIUM ACCOUNT

(HIPA)

Testimony for S.B. No. 342 restoring reimbursements under the retiree drug subsidy provisions of Medicare Part D to the retired teachers' health insurance premium account (HIPA).

Good Morning Senator Bye, Representative Walker and members of the Appropriations Committee. My name is Catherine D'Agostino and I am Legislative Co-chair of the Association of Retired Teachers of Connecticut. I am here in support of S.B. 342.

I would like to begin by looking at four factors that have been identified as important to the future of the Health Insurance Fund (HIPA). They are: the active teacher contributions (1.25% of cost), the State contributions (1/3 of cost), interest earnings and the federal drug subsidy. You can predict consequences to our health fund (HIPA) based on these four factors. Let me explain why I feel the fund faces a future crisis.

We know that the number of active teachers is declining. If the number of active teachers continues to decline or simply remains the same, there will be a loss of contributions to the fund. Obviously less money in the fund will result in lower interest earnings.

At the same time that there has been a decline in active teachers, there has been an increase in retired teachers over the years. In addition, because school districts are discouraging retired teachers from remaining on their local board of education health plans, and because newer retirees are eligible for Medicare, more retirees are joining the TRB medical subsidy plan (Sterling Benefits). In fact, the number of retirees on the TRB subsidy plan (Sterling Benefits) is projected to increase yearly. HIPA funds will then draw down on an annual basis.

You have heard how the reduced State contributions have caused further losses to our health fund. Not only has the State not contributed its 1/3 share, it has used the federal reimbursement monies toward its contribution. The 1/4 contribution is then actually a 1/8 contribution.

Finally, the 2012 statute change (found in section 102 of PA 12-1, June special session the public act 10-183t(a) authorizes the State to **continue** to divert the federal reimbursement money toward its promised future contributions. For 2014-2015 the loss is projected to be approximately 18 millions dollars. If the statute remains in place, then the loss of the drug reimbursement monies to our health fund (HIPA) will continue in the years ahead. In fact according to TRB projections made in 2013, the fund is expected to have expenses exceed revenues by 2018. The fund would essentially then be insolvent. This is simply fiscally irresponsible.

Teachers, active and retired, fear that the monies they contributed over the years to the health insurance fund (HIPA) will have been in vain. Will that money be there to help them with the cost of health insurance? For all these reasons we appreciate raising S.B. 342 and urge you to recommend its passage to the Legislature.

Thank you for the opportunity to address the committee and submit this
testimony.

Respectfully,

Catherine D'Agostino

