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Testimony

HB 1042 - State Prescription Drug Benefits – Retiree Benefits - Revision Support

AFSCME Council 3 supports HB 1042. This bill modifies three changes that were made to the prescription program for State of Maryland retirees last year with SB 946. The first change, for long-term employees that retired by December 31, 2019, provided the same out-of-pocket maximum as state employees. The second program, for those who retired after December 31, and were hired before June, 2011, created a higher out-of-pocket maximum at the “catastrophic” level of Medicare Part D. The third allowed retirees in either of these programs access to “life sustaining” medicine if denied by Part D, but available in the State’s formulary.

The first provision, requiring long term employees to retire by December 31, 2019 in order to maintain the state employees out-of-pocket forced employees to make decisions who had no way of knowing the outcome of the court injunction. HB 1042 extends that decision deadline to the second open enrollment period after the court decision.

The second and third provisions are based on the reality that employees hired after 2011 had no knowledge of the future cut in their retiree prescription drug benefits until the fall of 2019 when they received a letter from the Department of Budget and Management. Even the employee health benefits booklets made no mention of this change. Therefore, HB 1042 expands the provisions for out-of-pocket costs to the Catastrophic level of Part D, and access to the state’s formulary for life-sustaining medicine for those hired after 2011. This is important because Part D has no out-of-pocket maximum and some employees with expensive health conditions will simply have no way to pay for their medicine without these changes.

These provisions are expensive because the number of people affected by the out-of-pocket maximum is limited. Last year, the Department of Legislative Services determined that roughly 3% of the retiree population would pay more than \$5,000 for prescription drugs. Further, under SB 946, the out of pocket maximum is set at the level of “catastrophic” coverage changes which is subject to increases. For example, it was just over \$5000 last year and is up to \$6350 in 2020. The third provision, which would provide access to the state’s formulary for medicine not covered by Part D is also not expected to affect many retirees although it is critical to some.

State employees have been through a lot. The one thing they have counted on is decent health coverage and a modest pension when they retire. Please help make sure these expectations were justified and rewarded.

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An employee has the right to a union representative if requested by the employee.
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