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DEPARTMENT OF ADMINISTRATIVE & FINANCIAL SERVICES
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SERVING THE PUBLIC AND DELIVERING ESSENTIAL SERVICES TO STATE GOVERNMENT

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*Testimony of Anya Trundy, Chief of Legislative and Strategic Operations
Department of Administrative and Financial Services
testifying in opposition to*

LD 111, An Act Requiring the State to Pay a Share of a Retired State Employee's or Retired Teacher's Premium for Medicare Part B Under Medicare Advantage

Sponsored by Rep. Shagoury
Before the Joint Standing Committee on Labor and Housing

Senator Tipping, Representative Roeder, and members of the Joint Standing Committee on Labor and Housing, I am Anya Trundy, Chief of Legislative and Strategic Operations for the Department of Administrative and Financial Services. I am providing testimony today against LD 111.

DAFS fully recognizes that health insurance coverage is a major expense in most people's personal budgets, its continually rising cost places increasing strain on lower and fixed incomes, and it is often a key deciding factor in where people work and when they retire. Furthermore, Medicare in particular, is confusing and difficult to navigate, and a lot of people are unpleasantly surprised to learn that regardless of whether you worked in the private or public sectors, there is a monthly premium for Medicare Part B coverage.

Before I go any further, I want to take time to explain the retirement benefits that retired State Employees receive in comparison to their private sector counterparts.

If you work in the private sector, you have Social Security and Medicare taxes withheld from your paycheck during your working years and when you reach retirement age, you qualify for monthly Social Security benefit payments and health insurance coverage under Medicare.

If you are a State of Maine employee for all or part of your career, you will have contributions to MainePERS withheld instead of Social Security tax during your employment with the State. But the State of Maine participates in Medicare, and you will have Medicare taxes withheld no different than in the private sector. In your retirement, you will receive State pension disbursements instead of or in addition to Social Security, but you will be fully eligible to enroll in Medicare for your health insurance coverage.

This bill is not responding to an inequity created by virtue of whether you worked in the private or public sector. There is no inequity; with a few exceptions for low-income individuals that this bill accounts for, everyone pays a monthly premium for Medicare Part B coverage.

If you are a retired private sector employee, you can choose one of two ways to access your Medicare coverage: 1) through "Original" Medicare which consists of a Part A (hospital insurance) and Part B (medical insurance) and to which you can also add Part D (prescription drug coverage), or 2) through a Medicare Advantage Plan which is a Medicare-approved plan from a private insurer that bundles Part A, Part B and usually Part D, and may include additional benefits like vision, hearing, and dental services. With Original Medicare, there is generally no cost for Part A (provided you paid Medicare taxes for at least 10 years), there is however a \$164.90 monthly premium for Part B which is deducted from your monthly Social Security benefit. Under a Medicare Advantage Plan you can also expect to pay the Part B premium and potentially more for the additional coverage that is often available under a Medicare Advantage plan that Original Medicare doesn't cover.

As a retired State employee, you access Medicare via the State's fully-insured, employer subsidized Medicare Advantage Plan currently provided through Aetna. The State's Medicare Advantage Plan is inclusive of Part A, Part B, and Part D coverage. Retired State employees have paid into Medicare exactly the same as their private sector counterparts and also pay the monthly premium for Medicare Part B.

In closing, the anticipated cost of the State assuming financial responsibility for retired State employees monthly Medicare Part B premiums would be substantial and a significant benefit over their private sector counterparts. This is to say nothing of the cost for the other half of the bill extending the same to retired teachers.

Thank you for this opportunity to testify. I am happy to answer any questions.