



Nevada Retiree Chapter 4041, AFSCME



625 Fairview, Unit 110 • Carson City, Nevada 89701; P.O. Box 662 Carson City, Nevada 89702

Office: 775-461-0849 E-mail: afscmeretirees4041@gmail.com

www.afscmenvretirees.org

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To the Interim Retirement and Benefits Committee:

It was announced several weeks ago by the Governor through his finance office (“GFO”) that all state agencies including the Public Employees Benefits Program (PEBP) would be required to slash budgets by at least 12 % in anticipation of a coming budget crisis precipitated by a deep decline in state revenue caused by the public health crisis of the localized effects of the global Covid-19 pandemic. In light of the steps already taken as proposals for cuts and sent last month to the GFO as outlined in today’s Agenda Item IV.1, the AFSCME Retirees make the following objections.

Our objections to these cuts and the underlying basic public personnel fiscal philosophy that these proposals are built on are many. First and foremost, whenever there is a fiscal crisis in Nevada state government, **the default is immediately to look to cuts in benefits to both active employee and retiree state provided healthcare insurance in combination with reductions in pay for active employees through furloughs, pay freezes and the like.** As you may hear from active employees and retirees today, this is a dysfunctional way to govern if maintaining a robust workforce through recruitment and retention is a policy goal of the State of Nevada. **The state workforce in general has not recovered from the cuts in benefits and pay imposed over a decade ago in the 2009 session and beyond.**

With regards to Agenda Item IV.1, it is important to note, that the advocacy groups have met with PEBP’s executive director Ms. Rich on multiple occasions during this last few months (we applaud Ms. Rich and her excellent staff for her proactive approach in always bringing all stakeholders to the table to facilitate open discussions) and there seems to be consensus that **the proposals cutting benefits and raisings healthcare costs are opposed by all participating advocacy groups-both active and retired employees.**

It is also crucially important to note that for purposes of discussing the account funding Retired Employee Group Insurance “REGI”, “Medicare Eligible Exchange retirees” and “Non-Medicare retirees” are insured differently-even though the funding account “REGI” receives the same appropriation per member retiree from the legislature each budget cycle. See SB 550 of the 2019 session:

<https://www.leg.state.nv.us/Session/80th2019/Reports/history.cfm?DocumentType=2&BillNo=550>.

The “**pre-Medicare retirees**” are those that are eligible for Medicare when they become 65. The “**non-Medicare**” retirees involve several groups as Nevada governments as Employer were not paying into

Medicare for several years after it was first created by Congress in 1965. Globally, those retirees have been defaulted in the past to one of the PEBP plan offerings as some will never be eligible for either Medicare Part A and B and some only eligible for Part B. These Non-Medicare (65+) and Pre-Medicare (until 65) retirees stay on the plan and choose from either the Consumer Driven High Deductible option, the New Low Deductible PPO w/co-pay or EPO/HMO options.

The current Medicare-eligible retirees go on the “Exchange” and purchase a supplemental or “Medicare Advantage” plan utilizing a contribution funded as an “HRA” appropriated by the legislature. Senate Bill 550 has a monthly appropriation for FY 2020-2021 of **\$478.15** per PEBP member regardless of which category that retiree is in **but the Medicare Exchange Retirees are capped in SB 550 appropriations bill at \$260.00 a month contribution (\$13.00 per year of service up to 20 years) per member for their HRA.**

PEBP staff has informed me that the “average” amount given to retirees’ HRAs on the Exchange is appx. \$200.00 monthly. Therefore, while combining risk and associated cost in an insurance pool of insureds is common, it is clear that the Medicare retirees are contributing on average **well over \$200.00 a month per member** to the combined costs of the entire REGI account covering all retirees. In light of that situation, reducing the retirees HRA disbursement by \$2.00 per year of service per member as proposed by PEBP, seems unduly inequitable at best.

On page 38/36 of today’s Committee packet it was stated that not all Medicare Exchange retirees are using the full amount appropriated for their HRAs. This issue was addressed and discussed in PEBP’s April 27, 2020 Board meeting: <https://pebp.state.nv.us/wp-content/uploads/2020/04/Budget-Reserves-Presentation.pdf>

On page 6 of that presentation it was stated that some 3,178 Medicare Exchange Retirees (there are a total of 7557 Medicare exchange retirees according to November 1 enrollment figures) were not using their HRAs to their fullest extent. It should be noted that in some “Medicare advantage plans” the premiums are minimal or even at no cost. It is also unclear if these Medicare retirees were aware that these funds could be used upon application to PEBP for things such as hearing aids and other non-covered medical expenses resulting in out of pocket costs. The solution approved by the Board was for PEBP to notify members of a “lose it or use it” cap situation when this happens going forward. It was also discussed in public comment (by the AFSCME Retirees) that possibly some outreach and education by PEBP was warranted so that the Exchange retirees could utilize their accounts more effectively.

These cuts during a pandemic are extremely demoralizing to public retirees on fixed incomes. One member of the AFSCME retirees ‘comments:

**“First, what was the point of making a career out of public service? I never expected to get rich enough to provide my own benefits during active or retirement years. I accepted the pay and my understanding of my retirement years when I chose this path back in 1972 and now it seems my former employer is asking why I’m not dead yet?
Second, as benefits are taken away or reduced, how many employees and retirees simply won’t seek services they may need because they can’t afford it like dental or prescription drugs?”**

Retirees who planned their entire careers and lives in Nevada’s public service deserve better than these proposals for cuts.