

SPONSOR STATEMENT

HB 380

The purpose of HB 380 is to reimburse Medicare Part B payments incurred by members of the State of Alaska public employees and teachers retirement systems (PERS and TERS) who are age 65 and over.

Presently, retirees under TERS/PERS must pay a monthly premium in order to retain state retired health care coverage under Medicare Part B. Prior to age 65, no premium is required.

When a PERS/TERS member retires, medical coverage is provided at no cost through the retirement and benefits system. The standard policy provides major medical with an 80-20 co-pay with a \$150 deductible.

After age 65, a member's status changes a major way with regards to health coverage. Medicare becomes the primary insurance; if the member does not apply for Medicare, the state retirement system pays just 20 percent of any medical cost. For this reason, most state retirees must join Medicare.

Under the Medicare system, Part A covers hospitalization while Part B covers doctors' visits and preventative care.

When many Alaska public employees retire, they collect little or no social security because as public employees they paid into PERS with SBS, or TERS. For someone with typical social security coverage, Medicare Part A is paid, and Part B is made available upon payment of a premium, which can be deducted from social security income. However for TERS/PERS members, without social security income, this premium must be paid out of pocket. The amount is currently \$52 a month.

Under HB 380, this premium will be reimbursed to the retiree. The issue is one of fairness, because, the retirement system saves over \$5,600 in premium costs as each member reaches his or her 65th birthday. This savings is realized because Medicare becomes the primary insurer; with the state insurance becoming the secondary provider.

There is no cost to the state general fund, as the proposed reimbursement will come from monies paid into the state retirement system.