

FINAL REPORT

**GROUP HEALTH BENEFITS FOR
PUBLIC EMPLOYEE RETIREES
STUDY COMMITTEE**

**Presented to the Legislative Council
and the Iowa General Assembly
January 1992**

Prepared by the Legislative Service Bureau

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AUTHORIZATION AND APPOINTMENT

The Group Health Benefits for Public Employee Retirees Study Committee was established by the Legislative Council and directed to study the feasibility and cost of obtaining group health insurance for retired members of Iowa's public employment system and review direct payment possibilities and other options to implement the program.

The voting members of the Committee were:

Senator Donald Doyle, Co-chairperson
Representative Jane Teaford, Co-chairperson
Senator Wally Horn
Senator Jack Nystrom (for the first meeting)¹
Senator Wilmer Rensink (for the second meeting)
Representative John Connors
Representative Brent Siegrist
Mr. George Duvall, Public Member
Ms. Helen Kopsa, Public Member
Mr. Mike Peters, Public Member

The ex officio members of the Committee were:

Ms. Nancy Berggren, Department of Personnel
Mr. Greg Cusack, IPERS Division, Department of Personnel
Mr. David Lyons, Insurance Commissioner

¹ Due to the appointment of Senator Jack Nystrom as the Acting Director of the Iowa Department of Commerce, Senator Nystrom resigned from the Senate, and Senator Wilmer Rensink was appointed to the Committee to replace Senator Nystrom.

COMMITTEE PROCEEDINGS

The Legislative Council authorized the Study Committee to complete its work in two meeting days. The meetings were held on October 31 and December 2, 1991.

OCTOBER 31, 1991, MEETING

At its first meeting on October 31, 1991, the Study Committee invited representatives from the Insurance Division of the Department of Commerce, the Department of Personnel, the Iowa State Education Association (ISEA), the American Association of Retired Persons (AARP), the League of Iowa Municipalities, and other interested individuals to present testimony concerning various options for providing group health insurance for public employee retirees. The invited testimony covered public employees at the state, county, and municipal levels, and also raised issues pertaining to health care coverage for retirees under the age of 65, as well as for retirees over the age of 65 who are eligible for Medicare benefits.

Speaking on behalf of the Insurance Division of the Department of Commerce, Mr. Daniel Pitts Winegarden, First Deputy Insurance Commissioner, discussed health benefits currently available to public employee retirees, the distinction between benefits for retirees under age 65 and those over age 65, the eligibility requirements for group insurance, the types of rates which may constitute reasonable premium rates, and some basic issues which should be addressed when considering group health insurance for public retirees.

Ms. Vickie Anderson and Ms. Nancy Berggren, Department of Personnel, discussed the health benefits that are currently available to retirees from state government, including the number of retirees participating in these programs. Ms. Anderson noted that she had spoken to a benefit consultant regarding the experience of other states in implementing group health insurance plans for public employee retirees, and she recommended the assistance of a consultant in establishing a plan for Iowa's public employees.

Mr. Greg Cusack, Deputy Administrator of Benefits, IPERS Division of the Department of Personnel, briefly discussed the concept discussed during the 1990 Interim by a similar committee, which was to permit IPERS retirees to direct the IPERS Division to automatically pay premiums from retirement benefit checks. Mr. Cusack explained the reservations of the IPERS Division concerning this plan, including the fact that financial institutions, such as banks, can already make these transfers, and that for the IPERS Division to perform this service, there would be significant administrative costs. Mr. Cusack also expressed concerns that if the IPERS Division became actively involved in some type of health care proposal, the IPERS Trust Fund might be jeopardized. Accordingly, Mr. Cusack stated that for

the IPERS Division to participate in a health care proposal, a separate fund should be established to pertain only to health care benefits. Mr. Cusack outlined a proposal whereby active employees and employers could contribute to the fund, so that public employees could draw upon the fund upon retirement for assistance in paying health insurance premiums.

Speaking on behalf of the ISEA, Ms. Jan Reinicke noted that the Association does not have a specific proposal to offer, but she identified several issues which should be considered. Ms. Reinicke mentioned funding options, the adequacy of retiree health care benefits, as well as the assumption rate set by the IPERS Division. Ms. Reinicke suggested that the General Assembly should review the assumption rate to determine if extra funds may be available for retiree health benefits through the IPERS Trust Fund.

Written materials were received from Mr. Paul Combs and Mr. Mel Alquist from the American Federation of State, County, and Municipal Employees (AFSCME) and Mr. Ben Riley, representing the Retired Fire Fighters, concerning the difficulties of city retirees in Sioux City in obtaining health insurance at a reasonable rate.

Ms. Betty Powell testified before the Committee on behalf of AARP. Ms. Powell pointed out a number of difficulties for retirees due to increasing health care costs. Ms. Powell stated that in considering postretirement benefits, special consideration should be given to the financial needs of those who have been retired the longest, and whose pensions have therefore suffered the greatest loss of purchasing power. Ms. Powell stated that excess pension funds should be used to make adjustments in benefits for retirees, and that the state should provide health benefits for IPERS retirees. Ms. Powell recommended that employees should be vested in retiree health benefits just as they are for pensions, and that particular attention should be given to health benefits for retirees not yet eligible for Medicare.

Mr. Kent Sovern, League of Iowa Municipalities, provided the Committee with information concerning health benefits available to retirees in different cities. Mr. Sovern also discussed the cost implications of previous proposals. Mr. Sovern stated that while the League has no specific recommendation on this topic, affordable health care for employees, while limiting the cost to local governments, is a major priority. Mr. Sovern stated that the League urges the Board of Trustees for the Statewide Fire and Police Retirement System to consider the feasibility of allowing police officers and fire fighters to prepay insurance premiums before retirement for use during retirement.

The Committee also received written testimony from the Honorable Anthony M. Critelli, District Court Judge for the Fifth Judicial District, concerning the extension of health care benefits to judges who retire before the age of 65, but who participate in the senior judge program. Judge Critelli noted that while the state

continues to pay these benefits until the judge reaches the age of 65, a difficulty develops because the judge's spouse may not yet be 65 and is not eligible to receive Medicare.

DECEMBER 2, 1991, MEETING

At its second meeting on December 2, the Study Committee received additional testimony from groups interested in the issue of public retiree health benefits. Mr. Jay Horstman, Iowa Association of School Boards, stated that while the Association does not have a comprehensive plan to submit for legislative consideration, there are several issues which the Association believes should be addressed. Mr. Horstman noted that health care coverage is a need of employees in the private sector as well, and suggested consideration be given as to whether a proposal should include the public sector, the private sector, or both. Mr. Horstman noted that the issue has been gaining attention at all levels of government as well, and that the issue should be resolved on a national, rather than a state, level. Mr. Horstman emphasized that funding and portability considerations should be taken into account. Mr. Horstman also commented that the IPERS Trust Fund should not be used to fund health insurance proposals, and that the integrity of that fund should not be jeopardized.

Mr. Bill Peterson spoke to the Committee on behalf of the Iowa State Association of Counties (ISAC). Mr. Peterson provided information concerning health benefits available to county employees, including options available for retirees. Mr. Peterson stated that ISAC has no formal recommendations for legislation in this area.

Ms. Marla Naumann, Senior Account Consultant with Blue Cross/Blue Shield of Iowa, discussed some of the insurance features associated with large groups such as a group of all public employee retirees. Ms. Naumann discussed various comprehensive proposals relating to health care which would affect the entire public, including the work of the Iowa Leadership Consortium on Health Care.

Ms. Vickie Anderson, Department of Personnel, provided follow-up information from the testimony she provided at the Committee's first meeting. Ms. Anderson provided information concerning how a consultant could be used to implement a group health insurance policy for public employees. Ms. Anderson provided information concerning the administrative costs of such a program. She also noted that while she had contacted various insurers to develop an estimate of premium costs, no estimate could be provided without obtaining further information concerning the group. Ms. Anderson stated that a consultant could help develop this information.

Mr. Mel Alquist, AFSCME, noted that while he was unable to provide oral testimony at the first meeting, there were some issues which he wished to expand upon from his written testimony. Mr. Alquist noted that he and several others have formed the Iowa Public Employees Insurance Association Committee to address the issue of health benefits for public employee retirees. Mr. Alquist stated that the Association envisions a system whereby all public employee retirees could be part of a group insurance policy up to the age of 65, and then could be part of a group to obtain a Medicare supplement policy. He stated that under this plan, the IPERS Division would only be required to perform the service of deducting the costs of premiums from retirement checks, and that other appropriate groups could perform this service for public employee retirees who are not members of IPERS. Mr. Alquist stated that the insurer could handle administrative matters, and that these costs could be paid through insurance premiums.

Various written materials were submitted to the Committee. Copies of these materials are filed with the Legislative Service Bureau. The materials include information provided by the House Democratic Research Staff, summarizing health care legislation proposed by Representative Johnie Hammond; information provided by the Iowa Hospital Association, concerning a symposium it recently held; information provided by the State Board of Regents, concerning retiree health benefits for Regents employees; and information concerning federal requirements under the federal Consolidated Omnibus Budget Reconciliation Act (COBRA), provided by the Insurance Division of the Department of Commerce.

After extensive discussion, the Study Committee approved four recommendations to be forwarded to the Legislative Council and the General Assembly.

RECOMMENDATIONS

The Group Health Benefits for Public Employee Retirees Study Committee makes the following recommendations for consideration by the Legislative Council and the 1992 General Assembly:

1. That the General Assembly enact a bill expanding the scope of public employee collective bargaining negotiations to include health insurance benefits for public employee retirees.
2. That the General Assembly enact a bill providing for the Department of Personnel to issue a Request for Proposals for a benefit consultant firm to gather demographic and experience data to be included in a study. The information from the study could be used to determine potential premium costs for group health insurance of a group comprised of public employee retirees.



3. That a concept whereby active public employees and employers contribute to a separate fund from which public employee retirees may draw upon on a monthly basis to assist with health insurance premiums upon retirement, be referred to the appropriate standing committee for further study.
4. That the public statement of the Iowa Leadership Consortium on Health Care, to be released in January 1992, be forwarded to the bipartisan leadership of the Senate and of the House of Representatives, to be included by reference in this Final Report.

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