

FINAL REPORT

HEALTH BENEFITS TO IPERS RETIREES STUDY COMMITTEE

November 1990

AUTHORIZATION AND APPOINTMENT

The Health Benefits to IPERS Retirees Study Committee was established by the Legislative Council and directed to study the feasibility and cost of providing supplemental Medicare insurance coverage for retired members under the Iowa Public Employees' Retirement System who have attained the age of 65 years.

The members of the Study Committee were:

Senator William D. Palmer, Co-chairperson
Representative Michael R. Peters, Co-chairperson
Senator Donald Doyle
Senator Richard Drake
Senator John Kibbie
Senator Jack Nystrom
Representative Dorothy Carpenter
Representative John Connors
Representative Darrell Hanson
Representative Dennis Renaud

COMMITTEE PROCEEDINGS

The Study Committee was authorized two meeting days. The meetings were held on August 1 and September 26, 1990.

At its first meeting on August 1, the Study Committee invited representatives from the Iowa Public Employees' Retirement System (IPERS) Division of the Department of Personnel, the Insurance Division of the Department of Commerce, the American Association of Retired Persons (AARP), the American Federation of State, County, and Municipal Employees (AFSMCE), and other interested public employee retirees to present testimony regarding the IPERS Division acting as a financial agent to deduct health insurance premiums for IPERS retirees from their IPERS benefits. The invited testimony also covered the high cost of obtaining

health care coverage by early retirees such as fire fighters and police officers who are commonly eligible to retire before the age of 65 years.

Speaking on behalf of the IPERS Division of the Department of Personnel, Ms. Carol Swanson stated that the Department does not endorse the proposed legislation which would inappropriately involve the Division in retirees' health care plans and would probably involve the Division in resolving problems between the insurance provider and the retirees. She added that the premium deduction proposals may involve more than one insurance company and, therefore, increase the expected costs beyond the one and one-half to two full-time equivalent positions plus equipment costs estimated in the fiscal note prepared for the 1990 Session. Ms. Swanson also presented the Study Committee with information relating to current insurance benefits available to IPERS retirees.

Mr. David J. Lyons, Acting Insurance Commissioner, testified that IPERS retirees would qualify for group health insurance which could be administered by a private entity. He further stated that he does not foresee a significant difference between an employer or an employee group plan. Concerning the likely competition among Medicare supplement providers, Mr. Lyons stated that the bidding should be quite competitive among insurers.

Ms. Betty Powell presented testimony on behalf of AARP. She stated that increasing costs of health care premiums are quite threatening to IPERS retirees who now are subjected to income taxes on their state retirement benefits. She urged the Study Committee to consider additional health care benefits to retirees to compensate for the loss of income tax exemption.

Mr. Mel Ahlquist, representing AFSCME and the Retired Iowa Public Employees Insurance Association, presented testimony relating to the plight of many IPERS retirees who must pay very high premiums to receive health and dental care insurance. Mr. Ahlquist urged support for a plan promoted by the Association to provide full group insurance coverage for IPERS retirees who are less than 65 years of age and a supplemental group insurance plan for those retirees 65 years of age or older. He added that the plan does not request funding from the state or IPERS and does not request IPERS to administer the group plans. Mr. Paul Combs, also representing AFSCME, and Mr. Ben Riley, a retired fire fighter from Sioux City, supported Mr. Ahlquist's testimony and provided cost comparisons showing the high cost of health and dental insurance particularly for those public retirees who retire before the age of 65 years.

At its second meeting on September 26, the Study Committee received additional testimony from groups or associations representing retired public employees in Iowa. Dr. Robert Denny, representing the Iowa Retired Teachers Association, stated that in 1989 a task force of the Association urged the General Assembly to consider increasing retiree benefits to meet the increased cost of health

care insurance and to provide additional supplementary insurance coverage to Medicare. He stated that the General Assembly found the two requests to be too expensive to implement, but the Association urges that the current study charge be expanded to lessen the impact of supplementary health care insurance costs to public employees in Iowa. The Study Committee also received additional information from Mr. Ben Riley and Mr. Mel Ahlquist concerning health insurance costs for early retirees and received additional health care cost information from Blue Cross/Blue Shield and Holmes/Murphy. Mr. Thomas Iles and Ms. Laurie Burdick, respectively, represented their insurance companies before the Study Committee.

Additional written material comparing health and dental insurance costs among selected cities, counties, and school districts was provided by the Legislative Service Bureau staff. Current health and dental cost information for state retirees was provided by the Department of Personnel and a survey of health plan costs for 1990 among the various states was also provided to the Study Committee. A copy of the various reports on health care insurance costs are filed with the Legislative Service Bureau.

RECOMMENDATION

The Health Benefits to IPERS Retirees Study Committee unanimously agreed to the following recommendation, but when the vote was taken the Senate members did not have a quorum present to formally endorse the recommendation:

The Health Benefits for IPERS Retirees Study Committee recommends that the Legislative Council create a Public Retirees Health Benefits Task Force consisting of 14 members selected to represent the following agencies and organizations: two representatives of the Department of Personnel, one of which would represent the IPERS Division, one representative of the Insurance Division of the Department of Commerce, one representative of the Iowa State Education Association, one representative of the Iowa State Association of Counties, one representative of the League of Iowa Municipalities, one representative of the Iowa Association of School Boards, two representatives of the Retired Iowa Public Employees Association, two members of the House of Representatives, two members of the Senate, one retiree under chapter 97A or 411 of the Code, and one person representing the general public. The Task Force shall study the possibility of obtaining group health insurance products which may be purchased by retired public employees and also study the availability of services for the direct payment of health insurance premiums through financial institutions. The Task Force shall report its findings and recommendations, including draft legislation deemed necessary to implement the recommendation, not later than March 1, 1991, to the Legislative Council, or if the General Assembly is in session, to the presiding officers of the Senate and the House of Representatives.