

**Retiree Prescription Plan Update**  
**April 2024**  
**AFSCME Maryland Council 3**

**Medicare-eligible retirees will see their prescription coverage transferred to Medicare Part D on January 1, 2025. How did we get here?**

In 2011, despite vigorous opposition from unions and protests in Annapolis involving over 10,000 state employees and educators, the Maryland General Assembly voted to transfer Medicare-eligible retirees from the state's retiree prescription plan to Medicare Part D as a cost-saving measure<sup>1</sup>. This decision was part of a broader retirement package reform effort, which included increasing the vesting period from 5 years to 10 years and extending the number of years an employee must work to receive full retiree health benefits from 16 years to 25 years. Although the transition to Part D was initially scheduled for 2020, litigation delayed it until October 2023 when a Maryland court affirmed the legislature's legal authority to enact the change.

**What has AFSCME been doing to fight this?**

Since 2011, AFSCME Council 3 has fought in the courts to try and get the legislature's decision reversed and to restore the benefit for active and retired employees. Our AFSCME Retiree Chapter has also been actively trying to pursue fixes in the legislature and to advocate for at least our lowest-paid state retirees to be held harmless. In 2019, to help ease some of the burden should litigation fail, AFSCME retirees supported some of the measures in [SB 946](#) which created three new cost reimbursement programs for state employees who retired before January 1, 2020.

During the 2024 legislative session, AFSCME Retirees went down to Annapolis to support [SB 349](#) and [HB 670](#), bills which would have restored the State Retiree Rx benefit for the individuals who started state service before the plan was legislated away on July 1, 2011. Unfortunately, these bills failed to pass this year, but AFSCME Retirees did win an additional \$3.6 million in the FY25 Budget late in session to help further ease out-of-pocket (OOP) costs with this transition. Health Reimbursement Accounts (HRAs) will now be loaded with \$750 at the beginning of 2025 that eligible retirees can use at point-of-sale to help cover OOP costs, including deductibles.

**Impact of the Transition to Part D**

There have been significant improvements to the Medicare Part D program, particularly in terms of out-of-pocket (OOP) maximum costs for retirees. As a result of President Joe Biden's leadership, OOP maximums reduce in 2025 from \$8,000 to \$2,000 per individual. Currently, the state's maximum OOP cost stands at \$1,500 per individual, and \$2,000 per couple. Medicare-eligible retirees will also no longer have to pay monthly premiums to the state plan starting January 1, 2025, when the transition takes effect, but some Medicare Part D plans do come with high deductibles, making it challenging to determine the most suitable plan for each retiree's circumstances. In 2024, the highest deductible for a Part D plan is \$545.

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<sup>1</sup> According to the Department of Budget and Management (DBM), in 2023, the total costs for Medicare-eligible retirees (aged over 65) in terms of net claims paid after rebates amounted to \$170,805,305. This figure accounts for 36.8% of the total net prescription claims paid by the State plan, which encompasses all active and retired employees.

The Department of Budget and Management is predicting that most (3 out of 5) Medicare-eligible retirees will see reductions in their annual OOP costs next year because of the transition to Part D.

## Retiree Impact OOP Comparison (\$750 / \$2,000)

Increase First-Dollar HRA to \$750 Single / \$2,000 Family

OOP Cost Impact	Number of Retired Participants	Percent of Retired Participants
Lower OOP Costs Under Part D	31,906	63.7%
\$0 - \$500 Increase	11,979	23.9%
\$500 - \$1,000 Increase	6,044	12.1%
\$1,000 - \$1,500 Increase	190	0.4%
\$1,500 - \$2,000 Increase	0	0.0%
\$2,000 - \$5,000 Increase	0	0.0%
\$5,000 - \$10,000 Increase	0	0.0%
Over \$10,000 Increase	0	0.0%
<b>Total</b>	<b>50,119</b>	<b>100%</b>

**Notes:** Based on calendar year 2023 claims. OOP cost impact compares EGWP cost (member OOP + retiree portion of premiums paid) to projected cost for a Standard Part D plan (member OOP + Part D premiums paid – HRA reimbursement). Analysis only reflects retirees who retired on or before January 1, 2020.

Source: Department of Budget and Management

### What do we know about which medicines will be covered?

There are concerns that drugs covered under the state's plan may not be covered under Medicare Part D, but DBM has said that each Part D formulary will include drugs from all categories of medicines, except for these 5:

1. Non-Part D Enhanced, which based on State-paid claims includes OTC nasal spray and OTC hydrocortisone cream (may be available through Part D but varies by plan)
2. Erectile Dysfunction
3. Single Entity Vitamins
4. Cough & Cold
5. Multi-vitamins

Not every drug within a medication category is covered by every Part D plan, but there are options under each category, with the exception for the 5 categories listed above. And while no definition or list of “life-sustaining” medicine is available, all in-patient prescription hospital charges will be paid through Medicare Part A. DBM has also said that they plan to follow the Legislature’s intent, which is to ensure that infusion drugs for cancer are included under Medicare Part B.

DBM will be providing a more comprehensive update soon. You can find updates from them here moving forward: <https://dbm.maryland.gov/benefits/Pages/Retirees.aspx>

### How to Get Involved to Protect Your Benefits

AFSCME Maryland Council 3, along with our AFSCME Retiree Chapter, will continue to monitor these developments. We encourages retirees to get involved with our [Retiree Chapter](#) to get updates, ask questions, and get organized.

If you’re a current state employee, join [AFSCME Council 3](#) and get active in your Local to help us protect the benefits we have now.