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Dealing With Health Care Costs for State Retirees
by
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Most Marylanders probably don't know or care about Governmental Accounting Standards Board (GASB) rules. But they should because these rules and how Maryland addresses them will cost state taxpayers plenty.

GASB is a private, nonpartisan, nonprofit organization that sets the rules for state and local government financial reports. In 2004, GASB adopted a standard that requires state and local governments to reflect on their financial statements the liability for providing health care to retired state employees, known as "other post employment benefits" or OPEB.

Maryland must comply with the GASB standard for OPEB liabilities beginning with the fiscal year that began July 1, 2007.

According to the Pew Charitable Trust, Maryland's OPEB liability is $14.5 billion. This amount does not include the costs for county retirees, most of whom are teachers.

Each county will have to account for its OPEB liabilities on its own financial statements. The county liabilities will also be substantial. For example, Montgomery County estimates its liability to be $2.6 billion.

To fully fund Maryland's obligation to government retirees will require an annual appropriation of almost $600 million in addition to the more than $236 million taxpayers now pay for health care for state retirees. The $600 million is approximately equal to the amount of revenues the state estimates it will receive if slot machines are approved in November after setting aside some of the slots revenues for education and horseracing.

The state has been studying the issue of retiree health care and what to do about it since 2005 when the General Assembly created the first commission to study the problem. That commission issued a report in December 2005, and one of its recommendations was to create another commission. During the 2006 session, the General Assembly created the Blue Ribbon Commission, requiring a report by Dec. 31, 2008.

Now, each house of the General Assembly has passed a bill to delay the report of the Blue Ribbon Commission to Study Retiree Health Care Funding Options from December 2008 to December 2009. If either bill is enacted, the recommendations of the commission will be delayed until the 2010 session, the same year as the next election of the governor and legislators.

After two commissions, three years and two actuarial studies by two different actuaries, what facts remain to be discovered?

The solutions too are limited. The governor and the General Assembly can appropriate $600 million more to fully fund the future benefits, they can alter the benefits now provided, they can change the eligibility rules, or they can adopt some combination of these solutions.

So, it is curious that the General Assembly would delay the commission's report for a year.

Are legislators hoping the problem will go away? Are they waiting for the next president to pay for universal health care? Are they afraid that the solutions will undermine claims that the structural deficit has been resolved? Are they reluctant because they remember the negative reactions of state retirees and employees to very minor changes made to the state's health benefits plan in 2005? Or will they deal with retiree health care like they dealt with education funding in the 2002 election year and teacher and state employee pensions in the 2006 election year? Provide another election year gift without the means to pay for it — and deliver the bill to the taxpayers after the election?

Given the magnitude of the problem, state officials should be educating the public about this significant potential liability. Yet, finding anything regarding the work of either of the commissions on state Web sites is like looking for the keys to Fort Knox. Unlike other task force reports, the 2005 commission report is not available on the General Assembly Web site or any other state Web site. Nor are any of the materials reviewed by either commission available on the state's Web sites.

Delaying for another two years will not make the retiree health care problem smaller or easier to solve. It will only make the problem worse.

The General Assembly should stop this attempt to delay the Blue Ribbon Commission's final report. And it should promptly post all documents from the two commissions so that taxpayers can understand the scope of the problem and the possible solutions.

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