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OPINION

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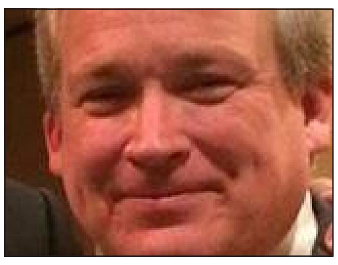
Inflation no reason to lose ground on pension progress

By Jim Waters



On the same day the American League beat the Senior Circuit in this year's Major League Baseball All-Star Game again – it's nine straight now – Jim Carroll, president of Kentucky Government Retirees, was again back in Frankfort with his hand out.

Carroll's repetitive tune during his recent presentation to the Public Pension Oversight Board sounded much like the one he made last year, but this time as he and others in his corner think rising inflation adds momentum to their push for increasing benefits.

Carroll and those in his corner hold that retirees need higher benefits or extra checks because stuff costs more.

He argues that a taxpayer-funded cost-of-living increase in benefits for retirees is "an investment in Kentucky's economy now more than ever as we retirees are spending more in our local economies on goods and services."

He should find a new argument; this one doesn't work.

A thief, after all, can make the same argument by robbing a bank, spending the stolen money at the mall while claiming he boosted the community's economy by spending those dollars locally.

Carroll's ideological supporters see an opportunity to score political points by pushing a narrative that focuses on tying the painful effects of inflation to those who've been retired the longest.

Their storyline: These retirees, the most elderly among the 51,00 currently collecting from the Kentucky Employees Retirement System (KERS), need more because inflation has now made their salaries when they quit working for the state insufficient.

Frankfort Democratic Rep. Derrick Graham jumped on board that rhetorical train, pointing to public retirees now struggling after retiring in the 1990s with salaries and benefits "they thought they could live off of."

Graham's argument brings to mind one of the costliest culprits contributing to the enormous, ongoing unfunded liabilities in Kentucky's retirement systems: failing to require beneficiaries to work, or wait, longer before collecting full pension benefits.

According to Kentucky Public Pension Authority data, the commonwealth has thousands of retirees who've been retired nearly as long as – some even longer – than they worked in and contributed to the system.

More than 10,500 state government and police retirees have collected pension benefits for 20 years or more, over 4,400 of whom haven't clocked in for a quarter-century or longer.

Employees, whether in government or the private sector, can't be blamed for accepting benefits offered by employers, which may be a reason for offering some type of one-time prefunded – prefunded – benefit to all or perhaps older retirees.

But even if such a benefit is granted, we need to understand that many of these retirees should have worked longer – much more so, in many cases – to adequately fund their retirement years, especially considering the significant increase in life expectancy since the commonwealth's pension funds were created during the last century.

While the commonwealth has made progress in addressing its pension predicament, policymakers need to keep pushing for commonsense, fiscally responsible reforms, like raising retirement ages to help better mitigate future scenarios involving inflation or other uncertain developments.

Why can't state policy reflect federal policy, which requires Social Security recipients to wait until at least age 66 – or 67, in some cases – to collect their full benefits?

New analysis from the Pew Charitable Trusts indicates that Kentucky is one of only six states where unfunded pension liabilities comprise more than 15% of personal income.

Also, the KERS remains one of the nation's unhealthiest public retirement plans with only 18% funding.

Policymakers must not allow the progress Kentucky's made in funding, and reforming, its underwater pension plans to cause them to lose that hard-fought ground.

They especially must resist pressure to grant unaffordable permanent benefit increases and, instead, protect Kentucky taxpayers in the private sector, who are dealing with the higher cost of stuff, too.

Jim Waters is president and CEO of the Bluegrass Institute for Public Policy Solutions, Kentucky's free-market think tank. Read previous columns at www.bipps.org. He can be reached at jwaters@freedomkentucky.com and @bipps on Twitter.

How PSAOs Provide Critical Infrastructure


Jonathan Grider

Over these past few years there has been a lot of change and pressure across our economy and our health care system, in particular the demand on independent pharmacies. Independent pharmacies stimulate small business ownership within rural economies across America. They catalyze job creation while understanding the cultural awareness and attentiveness required of the communities they serve. According to a national survey of 1,390 adults, 85% prefer getting prescription drugs from a local pharmacist instead of a mail-order service. However, even though independent pharmacies have earned unparalleled trust from their customers, they can be difficult to sustain. In fact, between 2003 and 2018, 16.1% of all independently owned rural pharmacies were forced to close their doors for good.

Independent pharmacy ownership can be challenging even at the best of times due to a highly competitive market and shifting demands. To streamline many back-office pharmacy tasks, some independent pharmacies employ Pharmacy Service Administrative Organizations (PSAOs) to provide additional administrative support.

PSAOs allow pharmacists to focus on patient care and not spend precious time and recourses navigating the intricacies of America's healthcare supply chain. They have responsibilities similar to office administrators and operation managers. PSAOs provide additional administrative infrastructure by managing insurer and PBM relationships, providing operational and transaction support for incoming/outgoing prescriptions, and providing health crisis-related support. With an affordable fee of about $200, PSAOs provide a wealth of support to allow independent pharmacists to prioritize providing quality care for their clients.

Pharmacy Service Administrative Organizations also help pharmacies remain viable and competitive in the face of adversity. This was especially true during the COVID -19 pandemic. During the pandemic, independent pharmacists like mine had to make many changes to our business model to best serve our clients and community. I am proud that my pharmacy offers free home delivery county-wide to ensure elderly and vulnerable patients have access to the medications they need. Having said that, I would not be able to provide this service for free to my most vulnerable patients if I needed to allocate staff and recourses to the many tasks completed by PSAOs.

Yet because most operations that PSAOs perform are not in the view of patients, there is often much confusion regarding the nature of their work. So much so that they often get confused with pharmacy benefit managers (PBMs). PSAOs and PBMs play entirely different roles within the healthcare supply chain, and it is essential not to conflate the two. PBMs directly affect the overall price of medications by negotiating with insurers, drug manufacturers, and pharmacies. PSAOs, on the other hand, do not influence prescription medication costs, what a patient pays for their medication or any other part of the healthcare system. They exclusively perform administrative tasks in relation to the independent pharmacy they are employed to support.

I implore our elected officials to realize the critical infrastructure that PSAOs provide to Kentucky's health care system, in particular to rural communities. These entities allow for many independent pharmacies like mine to remain in business across America and serve their communities. Now more than ever, having informed and seasoned professionals to help navigate the complex health care supply chain is essential. A good team behind you in these uncertain times can make a major difference in the fight to keep independent pharmacy doors open to serve patients and their communities.

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LETTERS TO THE EDITOR

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