

# NSEA-RETIRED

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[www.nsea.org/retired](http://www.nsea.org/retired)

# ADVOCATE

October 2013: V9, I-1

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## Tax Modernization: A way to get tax relief?

During the 2013 Unicameral session, the Legislature created a Tax Modernization Committee to develop options to Nebraska's current tax structure. The Committee charge is to consider the following elements of the current tax policy for Nebraska: (a) fairness; (b) competitiveness; (c) simplicity and compliance; (d) stability; (e) adequacy; and (f) complementary tax systems. The Tax Modernization Committee will issue a report containing any recommendations to update state, county and local tax policies, and any proposed language for legislation to meet those recommendations to the Executive Board and to the Governor no later than Dec. 15, 2013. The committee will also identify areas requiring further study and analysis.



Roger Rea,  
NSEA-Retired  
President

On September 6, the Committee released the first copy of its hearing agenda, along with some key issues on which committee members are seeking public testimony. The agenda identifies three main areas of interest to the Committee: (a) property tax; (b) individual and corporate income tax; and (c) sales and use taxes. The report also proposes a number of issues and options for consideration. It further states that the issues and options are not recommendations of the committee, and are put forth solely to generate public comment. The Committee has scheduled five public hearings in September and October to gather comments on the issues and options as well as comments on other tax matters of importance to the citizens. The report contains this summarizing statement: *"The options and issues on the agenda are not recommendations of the Committee. The Committee has the authority to make recommendations but only if we believe they are truly necessary to make our tax system more fair, more balanced and a more stable source of funding for government services."*

I was pleased to note that the agenda lists taxation of Social Security income as: *Income Tax Issue Number 2*. Three different policy options are presented that would provide tax relief for senior citizens: *"(2.A) Exempt all Social Security benefits from income tax; (2.B) Exempt all Social Security benefits for filers with an income below \$62,000 for married filing joint and \$57,000 for all other filers; (2.C) Exempt more Social Security benefits by raising the federal thresholds for Nebraska purposes to \$30,000 single filer and \$37,000 married filing joint at 50%; and to \$40,000 single filer and \$50,000 married filing joint at 85%."* I will seize the moment to comment on this set of options.

Social Security income was never intentionally taxed by Nebraska. No state law was passed that would establish a tax on Social Security income. Instead, when the federal government began to tax Social Security benefits to shore up the Social Security Trust Fund in 1984, Nebraska got a windfall benefit because the state income tax at the time was a percentage of the federal income tax (See **President**, page 2)

(The **President**, from page 1)  
liability. In 1987, Nebraska stopped determining the state income tax liability as a percentage of the federal income tax liability. Instead, Nebraska began to apply state income tax rates to the adjusted gross income (AGI) for the tax filer, with certain adjustments made to the AGI before applying the state income tax rate tables. No adjustment is made for Social Security income, but Railroad Tier I and Tier II retirement benefits are specifically subtracted from the AGI before calculating the state income tax due. That means that railroad retirement is fully exempt from state income tax, while Social Security income is not. How can the current state of affairs be considered to be “fair” to all retirees?

I worked for a railroad while I attended college. The pay for railroad work was much higher than for the jobs I had at the time (I earned \$3.08 per hour for the railroad job vs. \$1.27 for my job as a janitor at the local hospital). I did not pay Social Security on my railroad income; instead I paid into the Railroad Retirement Plan. Social Security and Railroad Retirement provide equivalent guarantees of retirement security. When I retired from teaching and applied for my Social Security benefit, I asked about the money I contributed to the Railroad Retirement Plan. I was told that I did not have enough years under the Railroad Retirement Plan to collect a benefit, and that my railroad earnings and contributions to Railroad Retirement had been moved over to the Social Security system. I checked the record, and sure enough the years and salaries were there. And despite the fact that my railroad work was summertime employment only, those two years of working for the railroad were among the highest 35 earning years in my Social Security record (Social Security calculates benefits based on the highest 35 calcu-

lates benefits based on the highest 35 earning years of your working career).

To be fair to all retirees in the state, income from both Social Security and Railroad Retirement should not have a Nebraska income tax applied to them. Since all of Railroad Retirement is exempt from Nebraska income tax, I submit that all of Social Security income should be exempt, too. There are other reasons not to tax retirement benefits, but I believe the basic idea of being equally fair to all classes of retirees is one of the most compelling arguments.

By the time this issue of *The Advocate* is in your hands, three of the hearings of the Tax Modernization Committee will have already been held. The last two hearings will be:

**Thursday, October 17** – Metro Community College, South Omaha Campus, Omaha, 1:30 – 4:30 pm.

**Friday, October 18** – State Capitol Building, Room 1113, Lincoln, 10:00 am – 1:00 pm

The Tax Modernization Committee consists of the following Senators: Galen Hadley (chair), Paul Schumacher (vice-chair), Kate Bolz, Kathy Campbell, Tom Hansen, John Harms, Burke Harr, Charlie Janssen, Beau McCoy, Heath Mello, Jeremy Nordquist, Pete Pirsch, Ken Schilz, and Kate Sullivan. I encourage you to contact one or more members of the Committee to express your thoughts on the taxation of Social Security benefits. To contact any state senator, simply use the first letter of their first name followed by their last name, and the addition: [@leg.ne.gov](mailto:@leg.ne.gov). For example, to contact Senator Hadley send your email to: [ghadley@leg.ne.gov](mailto:ghadley@leg.ne.gov). You can find background materials that the Committee is considering on the Committee web page: [www.leg.ne.gov/tmc](http://www.leg.ne.gov/tmc).

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## EHA Dependent Verification strengthens plan

By: Greg Long, EHA Field Representative

Educator’s Health Alliance (EHA) launched a verification of dependent eligibility in December 2012. The verification of dependent eligibility helps to ensure that only eligible individuals are covered by the insurance plan and helps keep costs as low as possible.

As part of its commitment to manage benefit costs responsibly, EHA and Blue Cross of Nebraska hired Xerox HR Solutions, a firm with experience in conducting this kind of verification audit, to ensure that EHA was providing coverage only to dependents that are eligible according to EHA’s eligibility guidelines.

The verification is now complete. A total of 1,055 individuals were determined to be ineligible for either the medical or dental coverage provided by EHA and were removed from the plan. It is estimated that removal of those ineligible individuals will save more than \$1.5 million in claims per year.

To be sure that only eligible family members are enrolled in the future, EHA will have an ongoing program to verify the eligibility of new members. That program will also be administered by Xerox HR Solutions.

More than 70,000 individuals are insured through EHA, including education employees, early retirees, and their dependents in more than 400 school groups. For more information, see the EHA website, [www.ehaplan.org](http://www.ehaplan.org).

Mark your calendars. Don't miss the fun. Come to be entertained, inspired, challenged.  
Save your memories    Price your antiques    Reduce your health concerns  
Meet your friends    Stretch your muscles    Find your ancestors    Relive the North Platte Canteen

Save the date!

## NSEA-Retired Fall Conference

**Where: Culinary Arts Institute, Fort Omaha**

(32<sup>nd</sup> Street and Sorensen Parkway, Omaha – enter Metro College campus from Sorensen Parkway onto 32<sup>nd</sup> Street)

**When: Wednesday, October 23, 2013**

**Time: 8:30 a.m. – 3:30 p.m.**

Keynote session: Tax Modernization Committee: *“What’s Possible as a New Tax System for Nebraska?”*

Spotlight on Nebraska: Rosalie Lippencott – *The North Platte Canteen: My Personal Reflections*

**Breakout sessions:** Yoga and Tai Chi for seniors; Preserving old photographs; Long-term care insurance options; Holiday Treats; Counting Carbs and weight loss; “Travel with Barb;”  
Antique appraisal with Tom Bassett;  
Resources available to trace your family tree;  
Health insurance after retirement (EHA options and Medicare transition)

### Pre-Conference Event: October 22

**“Wine with Friends” : brix at Midtown Crossing**

220 South 31st Avenue, Omaha

Wine Tasting, Refreshments & hors d'oeuvres

5:00 pm – 7:00 pm

Meet your friends, NSEA-recommended candidates, and elected officials

*The cost of the pre-conference event will be posted on our webpage when registration is open. For the conference, there will be no cost for members: Non-members and guests pay \$10 per person.*

On-line registration begins after October 1

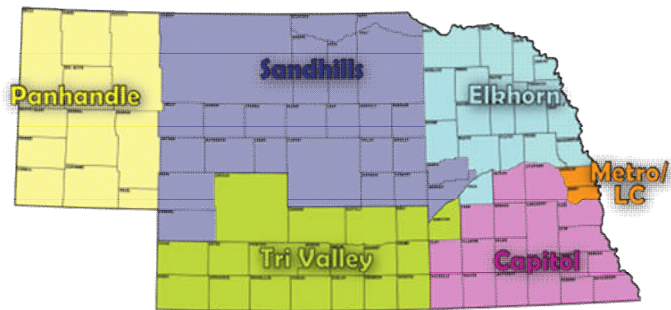
[www.nsea.org/retired](http://www.nsea.org/retired)

Or: Call or email Rebecca at 1.800.742.0047 or [rebecca.smith@nsea.org](mailto:rebecca.smith@nsea.org)

## Elections coming in March 2014

By: Roger Rea, NSEA-Retired President

NSEA-Retired members will elect two officers for the association (president and vice president) as well as District Directors for Capitol, Elkhorn, and Sandhills Districts next spring. All positions on the board of directors are for three-year terms beginning August 15, 2014. Delegates will also be elected to represent the retired members at NSEA Delegate Assembly (to be held in Kearney on April 11 & 12, 2014) as well as delegates to NEA Representative Assembly (to be held in Denver July 1 -7, 2014). Delegates to NSEA-DA and NEA-RA are elected for one-year terms.



Complete details regarding the election procedures as well as the process for filing for election will be posted on the NSEA-Retired web page, [www.nsea.org/retired](http://www.nsea.org/retired), after January 20. Any NSEA-Retired member in good standing is eligible to run for office. Candidates for District Director or NSEA Delegate Assembly must live in the NSEA District they wish to represent. A map of the NSEA District boundaries is printed for your reference.

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## Term limits vote in October

By: Roger Rea, NSEA-Retired President

NSEA-Retired Board of Directors members currently are limited to serving no more than two consecutive 3-year terms in any individual position. After some discussion at the April 2013 Board meeting, a committee of four board members was appointed to recommend options to the current set of term limits for consideration by the full board. The NSEA-Retired Board of Directors will consider changing term limits at its regular meeting on October 22, 2013.

In order to sample the attitudes of NSEA-Retired members regarding changes in term limits, a survey was sent to 2,182 retired members for whom we have an email address, asking them about their attitudes regarding keeping the status quo or making changes in the limits on how long an individual can serve in a single position on the board. A total of 530 members replied to the email survey (a response rate of 24.3%). Pre-retired members were given the same opportunity to respond. A total of 212 responses (of the 685 email surveys sent to pre-retired members) were received, for a response rate of 30.9% from that group of members. Both subgroups of the membership gave roughly the same ranking for the options for changing term limits that were presented to them.

Six different options were presented in the survey: (a) remove term limits for all members of the board of directors; (b) set a limit of three, 3-year terms for all members of the board; (c) remove term limits just for the four officers [president, vice president, secretary and treasurer]; (d) set a limit of three, 3-year terms for the four officers; (e) allow an extension of terms only when there was a special need and/or a request to do so; or (f) keep the current status quo.

When asked to rank their preference from among the five changes in term limits (not including keeping the status quo), the #1 ranking was for three, 3-year terms. The item that was ranked second was having three, 3-year terms for the four officers.

When asked to rank their preference from among all six options (including the status quo), respondents ranked allowing an extension of terms when there was a special need and/or a request to do so as their first choice; having three, 3-year terms for all board members as their second choice; and removing all term limits as their third choice. The status quo (a limit of two, 3-year terms) was ranked as their fourth choice.

The board will make a decision regarding term limit changes at its meeting on October 22. Thanks to all of the members who participated in the email survey.

If you do not have an email address on file with NSEA-Retired and would like to be able to receive emails from NSEA-Retired, please send an email to Rebecca Smith at [Rebecca.smith@nsea.org](mailto:Rebecca.smith@nsea.org), with the subject line "Email address." Please list your full name, home address, and phone number in the body of the email as well as the email address you would like to have on file. NSEA sends several issues of the *NSEA Voice* to members by electronic copy. Having your email address on file will also give you access to those issues of *The Voice*.

# Medicare costs are down!

By: Roger Rea, NSEA-Retired President

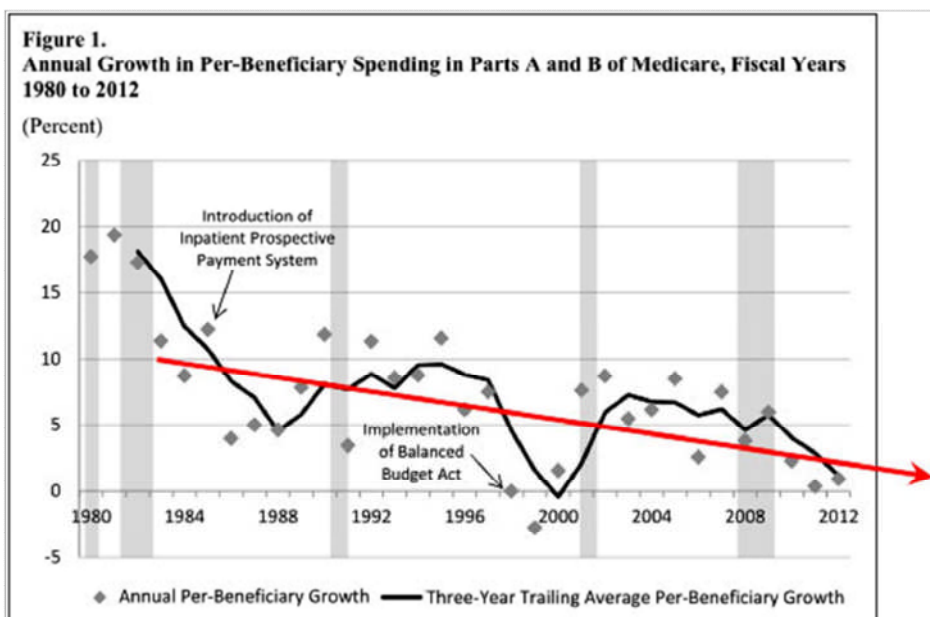
Medicare provides an essential benefit for retirees over 65. While the cost of providing health care in the USA is generally going up, the annual growth of spending per beneficiary for Medicare is on a downward trend, and has been on that trend for almost 30 years.

Michael Levin and Melinda Buntin analyzed data from the Congressional Budget Office since 1980. The graph shows the annual growth in per-beneficiary spending for Medicare Parts A and B. The shaded areas of the graph are times of economic recession. The black line gives the three-year trailing average growth, and the red line is a general 30-year trend line for the growth.

While this is good news, it is even better than it seems at first glance. Medicare plays a big role in setting rates and spending priorities for the entire health care industry. The fact that Medicare spending is slowing down should mean that spending growth in the entire health care industry should begin to slow, too. The second reason is even more intriguing. Levin and Buntin note that there have been two previous major declines in Medicare spending, and in both cases the decline was driven by legislative changes. The decline for the past decade has had no major legislative change to explain it.

Levin and Buntin acknowledge that there is a lot of uncertainty in their analysis, and that a decade of decline is not a long time upon which to base future forecasts with certainty. It is also worth noting that although spending per beneficiary is on a downward slope, the total number of beneficiaries is going up as the baby boomers retire, so total Medicare spending will continue to increase.

Kevin Drum with *MotherJones.com* notes that since health care costs are the biggest component of future concerns over federal spending and federal deficits, this trend indicates that the future may be brighter than we think.



## WANTED: WRITERS FOR THE *ADVOCATE*

What would you like to read in the *Advocate*? Do you have any news items you would like to see in our newsletter? Would you like to write a personal article for us? Do you have a story to share with our members? —about a recent trip? —about a hobby? Do you have any questions you would like answered? This is YOUR newsletter. Use it. The Editor of the *Advocate* invites you to contribute.

**Send your articles to Tom Black, Editor, [wpc6296@cableone.net](mailto:wpc6296@cableone.net)**

# Medicare and EHA Seminars in October and November

By: Roger Rea, NSEA-Retired President

Each year Medicare subscribers who participate in Medicare Part D, the prescription drug benefit for Medicare, have from October 15 to December 7 to enroll in a different prescription drug plan. Unlike traditional Medicare supplements, the re-enrollment process for Medicare Part D has no restrictions so long as the re-enrollment takes place during the open enrollment period (Oct. 15 to Dec. 7). To assist members in making this important decision, NSEA-Retired and Blue Cross of

Nebraska team up to provide information seminars on how to use the Medicare website to find an appropriate provider for your prescription drug needs.

In addition, NSEA-Retired members younger than 65 who have insurance through the Educators Health Alliance (EHA), the Blue Cross plan that insures almost all school employees in the state, have the opportunity to change to a higher deductible plan if they submit an enrollment application by December 2<sup>nd</sup>. The four EHA op-

tions available to retirees younger than 65 are: (a) \$750 deductible plan; (b) \$1,650 deductible plan; (c) \$3,100 deductible plan that is eligible for a Health Savings Account; and (d) \$4,000 deductible plan that is eligible for a Health Savings Account.

The October and November seminars will devote the morning session to Medicare issues (from 9:30 a.m. to noon), and will devote the afternoon to EHA options (from 1:30 p.m. to 3:30 p.m.). The seminar schedule for this year will be:

## Dates and Locations for the Seminars

Date	City	Location
Tuesday, October 29	North Platte	Holiday Inn Express 300 Holiday Frontage Rd
Wednesday, October 30	Kearney	Holiday Inn 110 S. 2 <sup>nd</sup> Ave
Thursday, October 31	Omaha	Westside Community Conference Center, 3534 108 <sup>th</sup> Street
Saturday, November 9*	Scottsbluff *(Medicare-only session)	Hampton Inn 301 W. Highway 36
Tuesday, November 12	Norfolk	Northeast Community College Life Long Learning Center Benjamin Ave

The Medicare sessions (from 9:30 a.m. to noon at each location) will cover four major topics: (a) the basics of Medicare, how to enroll, and the deductible and co-pay amounts for next year; (b) the benefits provided by NSEA-Retired BlueSenior Classic, the Medicare supplement endorsed by NSEA-Retired and underwritten by Blue Cross of Nebraska; (c) the benefits provided by Medicare Part D, the prescription drug benefit for Medicare; and (d) a demonstration of how to use the Internet to find an appropriate Medicare Part D provider for you.

NSEA-Retired BlueSenior Classic is a Medicare supplement that is available to either NSEA-Retired members or participants in one of the EHA plans. It is not ad-

vertised to the general public and is not available from an insurance salesman. It is the only Medicare supplement that provides dental coverage as part of the supplement itself. The dental coverage is the same PPO dental coverage that participants in EHA currently have. The EHA network of participating dental providers has recently been expanded. The spouse of any NSEA-Retired member is also eligible to enroll in our Medicare supplement so long as they enroll during the initial period of eligibility for Medicare. For individuals who cannot attend one of the sessions, all of the handouts from the Medicare seminars will be posted on the NSEA-Retired website, [www.nsea.org/retired](http://www.nsea.org/retired), after the seminars have been completed.

Retirees younger than 65 who participate in the EHA insurance program are enrolled by default into the \$750 deductible plan. Since retirees must pay both the premiums and the claims for their medical costs, many retirees choose to select a plan with lower total costs. Comparisons of the premium costs as well as the maximum out-of-pocket costs for the four plans available to retirees (\$750 deductible, \$1,650 deductible, \$3,100 deductible, and \$4,000 deductible) will be part of the afternoon sessions (1:30 p.m. – 3:30 p.m. at each location EXCEPT in Scottsbluff.) Both the \$3,100 deductible plan and the \$4,000 deductible plan qualify as High Deductible Health Plans (HDHP.) (See **Seminars**, page 7)

(Seminars, from page 6) and are eligible for a Health Savings Account (HSA). An HSA allows subscribers to pay for their medical claims on a tax-preferred basis. NSEA-Retired has endorsed Union Bank of Lincoln to

provide HSA accounts to EHA subscribers without fees. A representative from Union Bank will be present to explain the benefits and uses of Health Savings Accounts. There is no need to pre-register for any of the seminars. Mark your

calendars now for these important information sessions. A mailing with complete details on the seminars will be sent to retirees younger than 70. You can also visit the NSEA-Retired web site, [www.nsea.org/retired](http://www.nsea.org/retired), for updated information

## EHA changes effective Sept. 1, 2013

By: Roger Rea, NSEA-Retired President

NSEA-Retired members younger than 65 will see several changes in their health insurance plan through the Educator's Health Alliance (EHA), the Blue Cross plan that insures employees in most school districts in the state. The changes include:

- Increased deductible amounts. The deductible amounts increase to \$750 for

the former \$600 deductible plan; to \$1,650 for the former \$1,500 deductible; and to \$3,100 for the former \$2,850 deductible plan that is eligible for a Health Savings Account (HSA). If you have already paid the previous deductible amount, you will need to pay the increase in the new deductible amount beginning this

September before the plan will resume co-payments for your covered charges

- Premiums will increase for all plans on September 1. The chart below gives the new monthly premium amounts effective on that date. The chart includes PPO dental premiums.

Retiree Health and Dental rates	Employee	Employee and Child(ren)	Employee and Spouse	Employee, Spouse and Children
\$750 Deductible	\$590.56	\$1,048.76	\$1,240.16	\$1,571.69
\$1,650 Deductible	\$502.07	\$891.88	\$1,054.32	\$1,336.77
\$3,100 Deductible, HSA-Eligible	\$502.07	\$891.88	\$1,054.32	\$1,336.77

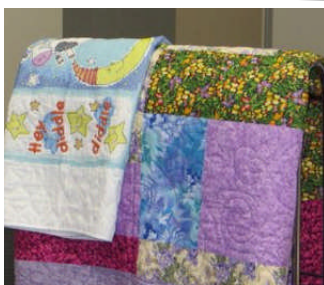
- Co-insurance out-of-pocket maximums have increased. New maximum on the \$750 Deductible Plan is \$2,250 for employee, and \$4,500 for family; new maximum on the \$1,650 Deductible Plan is \$3,250 for employee and \$6,500 for family.
- Copay amounts will change. For the \$750 Deductible plan, the physician copay will decrease to \$30 for primary physicians, but it will increase for specialty and urgent-care physicians to \$50. The copay will be \$75 for emergency room visits. For the \$1,650 Deductible Plan, the primary physician copay will be \$45; specialty and urgent-care physician co-

pay will be \$65. The copay will be \$90 for emergency room visits with the \$1,650 Deductible Plan. There are no copays for the \$3,100 HSA-eligible plan.

- A new, higher deductible plan will be available to retirees starting September 1. The new plan will have a \$4,000 deductible, and will cover 70% of expenses until the out-of-pocket and deductible and member coinsurance limit of \$6,350 is met; thereafter the plan will pay 100% of covered charges for the remainder of the plan year for employee-only coverage. This plan is also eligible for a Health Savings Account, HSA.

NSEA-Retired members can change plan options at two different times each year. If your application was on file with Blue Cross by August 15, your new plan began on September 1. If your application is on file by December 2, 2013, your new plan will begin on January 1, 2014. NSEA-Retired will team with Blue Cross and EHA representatives to give additional details of what each insurance option covers and how to make the transition to a different plan later this fall. The schedule for the seminars is found elsewhere in this newsletter. For more information about the various EHA plans available to retirees, visit the EHA website, [www.ehaplan.org](http://www.ehaplan.org).

Mailing Address Label



### 2013 Quilt Raffle Results

The 2013 NSEA-Retired quilt raffle raised \$1,066.



The picture to the left shows the baby blanket donated by Gloria Boham and the quilt made by Lorene Behrends. Linda Hartman, retired member in Alliance, won the baby blanket; Gene Reed, Electro Mechanical Instructor at Northeast Community College, won the quilt.

### The 2013 Outreach to Teach activity in June before the RA in Atlanta, GA



Each year about 300 Student and Retired members converge on an NEA-selected public school to clean it up with landscaping, painting, building selves, cleaning the rooms, washing the windows, etc. At left, NEA Vice President Lily Eskelsen and NSEA-Retired member Pat Etherton work on bulletin boards with three retirees. At right, Pat Etherton and Tom Black are ready to enter the school building to begin work..

