

1 SB309
2 128160-1
3 By Senator Marsh
4 RFD: Finance and Taxation General Fund
5 First Read: 31-MAR-11

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8 SYNOPSIS: This bill would provide that all state
9 employees retiring after June 30, 2011, must have
10 at least 10 years of creditable coverage in the
11 State Employees' Health Insurance Plan to be
12 eligible for retiree coverage.

13 This bill would make all employees retiring
14 after June 30, 2011, subject to a sliding scale
15 premium calculation based on years of creditable
16 coverage in the State Employees' Health Insurance
17 Plan and the difference between the age of the
18 employee at retirement and the Medicare entitlement
19 age.

20 This bill would provide that for all
21 employees retiring after June 30, 2011, that the
22 employer contribution for a non-Medicare retiree
23 may not exceed the employer contribution for an
24 active employee.

25 This bill would provide that the State
26 Employees' Health Insurance Plan is not subject to
27 the Alabama Insurance Code.

1 This bill would provide that the employer
2 contribution may include adjustments or surcharges
3 based on a covered spouse's eligibility for other
4 health insurance.

5 This bill would provide that for all
6 employees retiring after June 30, 2011, with
7 creditable coverage from postsecondary institutions
8 the retirees' postsecondary institutions contribute
9 an amount to the State Employees Insurance Fund for
10 each of its retired employees covered by the State
11 Employees' Health Insurance Plan equal to the
12 amount appropriated by the state to fund benefits
13 for retired employees.

14 This bill would provide that a two-thirds
15 vote of the State Employees' Insurance Board would
16 no longer be required to change the employee or
17 retiree contribution to the health insurance
18 premium or other out-of-pocket expenses.

19 This bill would provide that employees or
20 retirees who knowingly and willfully submit false
21 or misleading information to the board or fail to
22 comply with the rules and procedures of the board
23 be subject to disqualification from coverage in the
24 State Employees' Health Insurance Plan.

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26 A BILL
27 TO BE ENTITLED

AN ACT

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3 Relating to the State Employees' Health Insurance
4 Plan; to amend Sections 36-29-1, 36-29-4, 36-29-7, 36-29-8,
5 36-29-10, and 36-29-19.7 of the Code of Alabama 1975; to
6 provide that the employer contribution may include adjustments
7 or surcharges based on a covered spouse's eligibility for
8 other health insurance; to provide that all employees retiring
9 after June 30, 2011, must have at least 10 years of creditable
10 coverage in the State Employees' Health Insurance Plan to be
11 eligible for retiree coverage; to provide that the State
12 Employees' Health Insurance Plan is not subject to the Alabama
13 Insurance Code; to provide that postsecondary institutions
14 contribute to the State Employees Insurance Fund for each of
15 its employees retiring after June 30, 2011, covered by the
16 State Employees' Health Insurance Plan; to provide that a
17 two-thirds vote of the State Employees' Insurance Board would
18 no longer be required to change the employee or retiree
19 contribution to the health insurance premium or other
20 out-of-pocket expenses; to provide that employees or retirees
21 who knowingly and willfully submit false or misleading
22 information to the board or fail to comply with the rules and
23 procedures of the board be subject to disqualification from
24 coverage in the State Employees' Health Insurance Plan; to
25 provide that all employees retiring after June 30, 2011, be
26 subject to a sliding scale premium calculation based on years
27 of creditable coverage in the State Employees' Health

1 Insurance Plan; to provide that all employees retiring after
2 June 30, 2011, be subject to a sliding scale premium
3 calculation based on the difference between the age of the
4 employee at retirement and the Medicare entitlement age; and
5 to provide that for all employees retiring after June 30,
6 2011, the employer contribution for a non-Medicare retiree may
7 not exceed the employer contribution for an active employee.

8 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

9 Section 1. Sections 36-29-1, 36-29-4, 36-29-7,
10 36-29-8, 36-29-10, and 36-29-19.7 of the Code of Alabama 1975,
11 are amended to read as follows:

12 "§36-29-1.

13 "When used in this chapter, the following terms
14 shall have the following meanings, respectively, unless the
15 context clearly indicates otherwise:

16 "(1) BOARD. The State Employees' Insurance Board.

17 "(2) CLASS. An employee or retiree shall be included
18 in one of the following classes: (i) active employee single,
19 (ii) active employee family, (iii) non-Medicare retiree
20 single, (iv) non-Medicare retiree family, (v) Medicare retiree
21 single, (vi) Medicare retiree family, (vii) non-Medicare
22 retiree with Medicare eligible dependent(s), or (viii)
23 Medicare retiree with non-Medicare dependent(s).

24 "(3) EMPLOYEE. A person who works full time for the
25 State of Alabama or for a county health department and who
26 receives his or her full compensation on a monthly basis
27 through means of a state warrant drawn upon the State Treasury

1 or by check drawn by the Treasurer of the Alabama State Port
2 Authority or by check drawn by the treasurer of the Alabama
3 state agency for surplus property other than those employees
4 covered by the federal Railroad Retirement Act. Full-time
5 employees of the county health department in all counties
6 having populations of not less than 300,000 nor more than
7 500,000 shall also be included in the definition of employee
8 for the purpose of this chapter, and the health department of
9 any such county is hereby authorized to pay the employer's
10 share of any contributions to the retirement fund; provided
11 further, that any district attorney or full-time employees in
12 the district attorney's office, of any judicial circuit shall
13 be included in the definition of employee for the purpose of
14 this chapter, and the respective judicial circuits are hereby
15 authorized to pay the employer's share of any contribution
16 therefor and any person employed part time by the State of
17 Alabama on a wage and hourly basis, excluding fee
18 compensations and other like arrangements, shall be included
19 in the definition of employee as defined in this chapter
20 provided such person shall agree to have deducted from his or
21 her hourly wage, as stipulated, a pro rata portion of the
22 premium cost of a full-time state employee based on the
23 percentage of time such person is employed by the state
24 according to rules and regulations established by the State
25 Employees' Insurance Board. The term shall also include an
26 employee who worked at least 10 years for the State Department
27 of Transportation in "captive county" circumstances as defined

1 by Section 23-1-100 and who was transferred to county
2 employment upon the adoption of Article 3A, Chapter 1, Title
3 23. Provided further, however, any costs incurred as a result
4 of including such employee in this term shall be payable from
5 funds of the State Department of Transportation.

6 "(4) EMPLOYEE CONTRIBUTION. The amount of the total
7 health insurance premium to be paid by the employee or retiree
8 as determined by the board.

9 "(5) EMPLOYER CONTRIBUTION. The amount of the total
10 health insurance premium to be paid by the employer as
11 determined by the board.

12 "(6) FEDERAL POVERTY LEVEL. Income level determined
13 in Section 673(2) of the Community Services Block Grant Act 2
14 (42 U.S.C. § 9902(2)). Should the federal government no longer
15 derive or substantially change its derivation of the federal
16 poverty level, the State Employees' Insurance Board has the
17 authority to derive and apply an alternate poverty level to
18 carry out its obligations under this chapter.

19 "(7) HEALTH INSURANCE PREMIUM. The total health
20 insurance cost under the State Employees' Health Insurance
21 Plan with respect to each class of employees or retirees.
22 Individual premiums may include adjustments and surcharges for
23 (i) family size including, but not limited to, a husband and
24 wife both being covered by the State Employees' Health
25 Insurance Plan, (ii) spouse's eligibility for other health
26 insurance, (iii) smokers and users of tobacco products, (iii)
27 (iv) preventative care and wellness care participation, and

1 ~~(iv)~~ (v) any such other categories of risk that the board
2 shall approve.

3 "(8) MEDICARE RETIREE. A retiree entitled to
4 benefits under the federal Medicare program (Subchapter XVIII
5 of the Social Security Act, 42 U.S.C. §§ 1395 et seq.).

6 "(9) NON-MEDICARE RETIREE. A retiree not entitled to
7 benefits under the federal Medicare program (Subchapter XVIII
8 of the Social Security Act, 42 U.S.C. §§ 1395 et seq.).

9 "(10) OTHER EMPLOYER GROUP HEALTH INSURANCE
10 COVERAGE. Group health insurance coverage available to an
11 employee or retiree through an employer other than the State
12 of Alabama. Other employer group health insurance coverage
13 does not include the State Employees' Health Insurance Plan,
14 the Public Education Employees' Health Insurance Plan, or the
15 local government health insurance plan.

16 "(11) RETIREE. An employee who retires from the
17 service of the State of Alabama, who, at the time of such
18 retirement has at least 10 years of creditable coverage, meets
19 the criteria set out in this chapter and who, following such
20 retirement, draws a monthly benefit from the Employees'
21 Retirement System of Alabama, the Judicial Retirement System
22 of Alabama, the Teachers' Retirement System of Alabama, or the
23 Alabama State Port Authority.

24 "(12) STATE EMPLOYEES' HEALTH INSURANCE PLAN. The
25 health benefit plan administered or offered by the State
26 Employees' Insurance Board for eligible employees and retirees
27 and their respective dependents. The State Employees'

1 Insurance Board may offer supplemental coverages and policies
2 in lieu of or in addition to coverage in the basic medical
3 plan of the State Employees' Health Insurance Plan. Also
4 referred to herein as "health insurance plan" or "plan."

5 "(13) SUPPLEMENTAL COVERAGE. Coverage offered to
6 employees and retirees by the State Employees' Insurance Board
7 in lieu of coverage in the basic medical plan of the State
8 Employees' Health Insurance Plan that supplements an
9 employee's or retiree's other employer group health insurance
10 coverage.

11 "(14) SUPPLEMENTAL POLICY. A policy offered to
12 employees and retirees by the State Employees' Insurance
13 Board, in lieu of or in addition to coverage in the basic
14 medical plan of the State Employees' Health Insurance Plan,
15 that provides a defined set of benefits.

16 "(15) THIRD PARTY ADMINISTRATOR. An entity
17 contracted by the State Employees' Insurance Board to provide
18 certain administrative services as it deems appropriate and
19 necessary to carry out its obligations under this chapter.

20 "(16) YEARS OF CREDITABLE SERVICE. The number of
21 years and months that an employee is covered under the State
22 Employees' Health Insurance Plan prior to retirement as
23 determined by the State Employees' Insurance Board, including
24 any periods of full-time permanent employment subsequent to
25 retirement up to a maximum of five years. Creditable coverage
26 shall also include months and years: (1) Related to service in
27 the United States Armed Forces; (2) as an employee as defined

1 in Sections 16-25A-1 and 16-25A-11; or (3) as an employee of a
2 postsecondary institution eligible for Public Education
3 Employees' Health Insurance Plan coverage as a retiree whether
4 the institution participates in the Public Education
5 Employees' Health Insurance Plan or has its own plan of
6 insurance for active employees, provided the postsecondary
7 institution contributes an amount to the State Employees
8 Insurance Fund for each of its retired employees equal to any
9 amount appropriated by the state to fund benefits for retired
10 employees as determined by the State Employees' Insurance
11 Board. For employees of the Alabama State Port Authority, the
12 term years of creditable coverage shall mean the sum of the
13 number of years and months of creditable service as determined
14 by the Employees' Retirement System, the Teachers' Retirement
15 System, or the Judicial Retirement System with regard to any
16 periods of time during which such employee was employed under
17 the Merit System plus the number of years and months of
18 creditable service as determined by the State Employees'
19 Insurance Board with regard to any period of time during which
20 such employee was employed by the Alabama State Port Authority
21 as a non-Merit System employee.

22 "~~(16)~~ (17) YEARS OF SERVICE. The number of years and
23 months of creditable service by an employee prior to
24 retirement as determined by the Employees' Retirement System,
25 Teachers' Retirement System, or Judicial Retirement System
26 including any periods of full time permanent employment
27 subsequent to retirement up to a maximum of five years. Except

1 for creditable service related to service in the United States
2 Armed Forces, or as an employee as defined in Sections
3 16-25A-1 and 16-25A-11, or as an employee of a postsecondary
4 institution eligible for PEEHIP coverage as a retiree whether
5 the institution participates in PEEHIP or has its own plan of
6 insurance for active employees, the State Employees' Insurance
7 Board may exclude from years of service any years and months
8 of creditable service it determines was not related to service
9 as an employee as defined in Section 36-29-1. For employees of
10 the Alabama State Port Authority, the term years of service
11 shall mean the sum of the number of years and months of
12 creditable service as determined by the Employees' Retirement
13 System, the Teachers' Retirement System, or the Judicial
14 Retirement System with regard to any periods of time during
15 which such employee was employed under the Merit System plus
16 the number of years and months of creditable service as
17 determined by the State Employees' Insurance Board with regard
18 to any period of time during which such employee was employed
19 by the Alabama State Port Authority as a non-Merit System
20 employee.

21 "§36-29-4.

22 "The board is hereby empowered and authorized to
23 establish a fully insured or self-insured health insurance
24 plan for employees and retirees of the State of Alabama and to
25 adopt and promulgate rules and regulations for the
26 administration of such plan, subject to such limitations as
27 may be contained in this chapter. In no event shall the

1 Alabama Insurance Code, Title 27, commencing with Section
2 27-1-1, be applicable to the State Employees' Health Insurance
3 Plan. Such plan may provide for group hospitalization,
4 surgical, and medical insurance against the financial costs of
5 hospitalization, surgical, and medical treatment and care and
6 may also include, among other things, prescribed drugs,
7 medicines, prosthetic appliances, hospital inpatient and
8 outpatient service benefits, and medical expenses indemnity
9 benefits, including major medical benefits or such other
10 coverage or benefits as may be deemed appropriate and
11 desirable by the board.

12 "§36-29-7.

13 "(a) The board is hereby authorized to provide under
14 the provisions of this chapter that the employer's
15 contribution to the cost of such plan for coverage of the
16 employee and retiree shall be paid by the employer.

17 "(b) Each employee and retiree shall be entitled to
18 have his or her spouse and dependent children, as defined by
19 the rules and regulations of the board, included in the
20 coverage provided upon agreeing to pay the employee's
21 contribution of the health insurance premium for such
22 dependents. The board shall adopt regulations governing the
23 discontinuance and resumption by such employees and retirees
24 of coverage for dependents.

25 ~~"(c) Subject to Section 36-29-19.3, any further~~
26 ~~changes in employee or retiree contribution to the health~~
27 ~~insurance premium or other out-of-pocket expenses including,~~

1 but not limited to, any surcharge, copay, or deductible may
2 only be enacted when: (1) the executive director certifies
3 that after proper evaluation the increase is justified and (2)
4 the change is approved by at least a two-thirds vote of the
5 board members present.

6 ~~"(d)(c)~~ As used in this section, the employer shall
7 mean the fund from which the salaries of such employees are
8 paid. There is hereby appropriated annually from each fund
9 amounts sufficient to provide the employer's contribution of
10 the health insurance premium. In the case of those departments
11 supported wholly by transfers from other state funds, there is
12 hereby appropriated from the supporting funds such additional
13 amounts as may be necessary to pay the sums required to pay
14 the employer's contribution costs of employees and retirees of
15 each department so supported in the same proportion as the
16 other state funds contribute to the support and maintenance of
17 such department.

18 ~~"(e)(d)~~ During any period in which an employee or an
19 employee's dependents are covered under this chapter, there
20 shall be withheld from the salary payment of such employee the
21 employee's contribution to the cost of coverage.

22 ~~"(f)(e)~~ There is hereby created in the State
23 Treasury a fund to be known as the State Employees' Insurance
24 Fund. Such fund shall consist of and there shall be deposited
25 into such fund all appropriations made from employer funds,
26 under the provisions of subsection ~~(d)(c)~~ of this section and
27 all premiums paid by employees and retirees under the

1 provisions of subsection ~~(e)~~(d) of this section and any other
2 premiums paid under the provisions of this chapter. The board
3 shall designate a custodian of this fund who shall be
4 authorized to make deposits into and payments therefrom in
5 accordance with contracts entered into by the board.

6 "§36-29-8.

7 "(a) All persons in the employment of the State of
8 Alabama who are eligible for coverage under the provisions of
9 this chapter and the rules and regulations of the board
10 adopted pursuant thereto shall have the option to be included
11 in such coverage and shall have an option as to whether they
12 will subscribe to such coverage for their dependents, such
13 option to be exercised in the manner and within the time
14 limitation prescribed by the board.

15 "(b) All persons who become employees of the State
16 of Alabama, as defined by the terms of this chapter and the
17 rules and regulations promulgated by the board pursuant
18 thereto, shall have the option to become members of the plan
19 hereby provided and shall have an option as to whether they
20 will subscribe to such coverage for their dependents;
21 provided, that the exercise of such option shall be contingent
22 upon acceptance by the board subject to proper documentation
23 of eligibility and such coverage may be deferred during any
24 reasonable waiting period provided in the contract or
25 contracts.

26 "(c) Any employee or retiree failing to comply with
27 the rules and procedures of the board or knowingly and

1 willfully submitting materially false information to the board
2 shall, upon a determination by the board, (1) repay all claims
3 and other expenses, including an interest charge based on the
4 applicable interest rate paid by the state under Section
5 40-1-44, incurred by the plan related to the failure to comply
6 with the rules and procedures of the board or the submission
7 of false or misleading information submitted by the employee
8 or retiree in addition to a charge based on the applicable
9 interest rate paid by the state under Section 40-1-44 and (2)
10 be subject to being disqualified from coverage under the plan.

11 "§36-29-10.

12 "(a) Employees covered under the plan who retire
13 from active service before July 1, 2011, and begin receiving
14 monthly benefits from the Employees' Retirement System of
15 Alabama, Judicial Retirement System of Alabama, or from the
16 Teachers' Retirement System of Alabama may elect to continue
17 coverage under the plan by consenting to have the employee
18 contribution deducted from their monthly benefit payment for
19 coverage of such retired employees.

20 "(b) Employees covered under the plan who retire
21 from active service after June 30, 2011, with at least 10
22 years of creditable coverage and begin receiving monthly
23 benefits from the Employees' Retirement System of Alabama,
24 Judicial Retirement System of Alabama, or the Teachers'
25 Retirement System of Alabama may elect to continue coverage
26 under the plan by consenting to have the employee contribution

1 deducted from their monthly benefit payment for coverage of
2 such retired employees.

3 "(c) The premiums so deducted shall be transmitted
4 monthly to the board. Notwithstanding the foregoing provisions
5 no person otherwise eligible for coverage under the plan shall
6 be denied participation therein, for the reason that such
7 person is precluded from having the cost of his or her
8 coverage deducted from a monthly benefit payment.

9 "(d) The board shall adopt such rules and
10 regulations as they deem appropriate and necessary for
11 carrying out the provisions of this section.

12 "§36-29-19.7.

13 "(a) The board shall set forth the employer
14 contribution to the health insurance premium for each retiree
15 class.

16 "(b) For employees who retire other than for
17 disability after September 30, 2005, but before July 1, 2011,
18 the employer contribution to the health insurance premium set
19 forth by the board for each retiree class shall be reduced by
20 two percent for each year of service less than 25 and
21 increased by two percent for each year of service over 25,
22 ~~subject to adjustment by the board for changes in Medicare~~
23 ~~premium costs required to be paid by a retiree.~~ In no case
24 shall the employer contribution of the health insurance
25 premium exceed 100 percent of the total health insurance
26 premium cost for the retiree.

1 "(c) For employees who retire after June 30, 2011,
2 with less than 25 years of creditable coverage, including
3 employees who retire due to disability, the employer
4 contribution to the health insurance premium set forth by the
5 board for each retiree class shall be reduced by a percentage
6 equal to four percent multiplied by the difference between 25
7 and the number of years of creditable coverage at the time of
8 retirement as determined by the board.

9 "(d) For employees who retire after June 30, 2011,
10 with 25 or more years of creditable coverage, the percentage
11 of the employer contribution applied to the health insurance
12 premium set forth by the board for each retiree class shall
13 not exceed 100 percent.

14 "(e) In addition to any reduction in the employer
15 contribution required in subsection (c), for employees who
16 retire after June 30, 2011, who are not covered by Medicare,
17 the employer contribution to the health insurance premium set
18 forth by the board for each retiree class shall be reduced by
19 a percentage equal to one percent multiplied by the difference
20 between the Medicare entitlement age and the age of the
21 employee at the time of retirement as determined by the board.
22 This reduction in the employer contribution shall cease upon
23 notification to the board of the attainment of Medicare
24 coverage.

25 "(f) For employees who retire after June 30, 2011,
26 the employer contribution to the health insurance premium for

1 a non-Medicare retiree shall not exceed the amount of the
2 employer contribution to cover the cost of an active employee.

3 "(g) The employer contribution to the health
4 insurance premium set forth by the board for each retiree
5 class shall be subject to adjustment by the board for changes
6 in Medicare premium costs required to be paid by a retiree."

7 Section 2. This act shall become effective
8 immediately following its passage and approval by the
9 Governor, or its otherwise becoming law.