

1 SB419  
2 131992-2  
3 By Senator Marsh  
4 RFD: Finance and Taxation General Fund  
5 First Read: 19-APR-11

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4 ENGROSSED

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7 A BILL  
8 TO BE ENTITLED  
9 AN ACT

10  
11 Relating to the Public Education Employees' Health  
12 Insurance Plan (PEEHIP); to amend Sections 16-25A-1,  
13 16-25A-8.1, 16-25A-17.1, 16-25A-20, and 16-25A-22 of the Code  
14 of Alabama 1975; to provide that the employer contribution may  
15 include adjustments or surcharges based on a covered spouse's  
16 eligibility for other health insurance; to subject employees  
17 or retirees who knowingly and willfully submit false or  
18 misleading information to the board or engage in fraudulent  
19 activity to disqualification from coverage in the plan; to  
20 provide that all employees retiring after December 31, 2011,  
21 with certain exceptions, be subject to a new sliding scale  
22 premium calculation based on years of service; to provide that  
23 all employees retiring after December 31, 2011, be subject to  
24 a sliding scale premium calculation based on the difference  
25 between the age of the employee at retirement and the Medicare  
26 entitlement age; to provide that for all employees retiring  
27 after December 31, 2011, the employer contribution for a

1 non-Medicare retiree may not exceed the employer contribution  
2 for an active employee no later than October 1, 2016; to  
3 provide that assistance be given to low-income employees and  
4 retirees who fall within 300 percent of the federal poverty  
5 level; to provide further for percentages of federal poverty  
6 level with regard to assistance to low-income families; and to  
7 provide that a two-thirds vote of the Public Education  
8 Employees' Health Insurance Board would no longer be required  
9 to change the employee or retiree contribution to the health  
10 insurance premium or other out-of-pocket expenses.

11 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

12 Section 1. Sections 16-25A-1, 16-25A-8.1,  
13 16-25A-17.1, 16-25A-20, and 16-25A-22 of the Code of Alabama  
14 1975, are amended to read as follows:

15 "§16-25A-1.

16 "When used in this article, the following terms  
17 shall have the following meanings, respectively, unless the  
18 context clearly indicates otherwise:

19 "(1) EMPLOYEE. Any person covered by the Public  
20 Education Employees' Health Insurance Plan pursuant to Section  
21 16-25A-11 or person who is employed full-time in any public  
22 institution of education within the State of Alabama which  
23 provides instruction at any combination of grades K through  
24 14, exclusively, under the auspices of the State Board of  
25 Education or the Alabama Institute for Deaf and Blind;  
26 provided, any person employed part-time by any public  
27 institution of education within the State of Alabama which

1 provides instruction at any combination of grades K through  
2 14, exclusively, under the auspices of the State Board of  
3 Education or the Alabama Institute for the Deaf and Blind,  
4 shall be included in the definition of employee if such person  
5 shall agree to have deducted from his or her compensation a  
6 pro rata portion of the premium cost of a full-time employee,  
7 based on the percentage of time such person is employed, in  
8 accordance with such rules and regulations as shall be adopted  
9 by the board.

10 "(2) RETIRED EMPLOYEE. Any person receiving a  
11 monthly benefit from the Teachers' Retirement System who at  
12 the time of his or her retirement was employed by a public  
13 institution of education within the State of Alabama which  
14 provided instruction at any combination of grades K through  
15 14, exclusively, under the auspices of the State Board of  
16 Education or pursuant to Section 16-25A-11. Any person  
17 receiving a monthly benefit from the Teachers' Retirement  
18 System who at the time of his or her retirement was employed  
19 by a state-supported postsecondary institution and any person  
20 receiving a monthly benefit from the Employees' Retirement  
21 System whose retirement under the Employees' Retirement System  
22 was from a local board of education or a state-supported  
23 postsecondary institution who participated pursuant to Section  
24 36-27-6.

25 "(3) BOARD. The Public Education Employees' Health  
26 Insurance Board.

1           "(4) CLASS. An employee or retiree shall be included  
2 in one of the following classes: (i) active employee single,  
3 (ii) active employee family, (iii) non-Medicare retiree  
4 single, (iv) non-Medicare retiree family, (v) Medicare retiree  
5 single, (vi) Medicare retiree family, (vii) non-Medicare  
6 retiree with Medicare eligible dependent(s), or (viii)  
7 Medicare retiree with non-Medicare dependent(s).

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

11           "(6) EMPLOYER CONTRIBUTION. The amount of the total  
12 health insurance premium to be paid by the employer as  
13 determined by the board.

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

22           "(8) HEALTH INSURANCE PREMIUM. The total health  
23 insurance cost under a health insurance plan with respect to  
24 each class of employees or retirees. Individual premiums may  
25 include adjustments and surcharges for (i) family size  
26 including, but not limited to, a husband and wife both being  
27 covered by a health insurance plan as defined herein, (ii)

1 spouse's eligibility for other health insurance, (iii) smokers  
2 and users of tobacco products, ~~(iii)~~ (iv) preventive care and  
3 wellness care participation, and ~~(iv)~~ (v) any such other  
4 categories of risk that the board shall approve.

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

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

11 "(11) OPTIONAL COVERAGE. Health insurance coverage  
12 offered to employees and retirees for dental, cancer,  
13 indemnity, vision, or such other coverage the Public Education  
14 Employees' Health Insurance Board deems appropriate in lieu of  
15 coverage under the basic medical plan.

16 "(12) OTHER EMPLOYER GROUP HEALTH INSURANCE  
17 COVERAGE. Group health insurance coverage available to an  
18 employee or retiree through an employer other than the State  
19 of Alabama. Other employer group health insurance coverage  
20 does not include the State Employees' Health Insurance Plan,  
21 the Public Education Employees' Health Insurance Plan, or the  
22 local government health insurance plan.

23 "(13) PEEHIP. The Public Education Employees' Health  
24 Insurance Plan.

25 "~~(13)~~ (14) RETIREE. Same as "Retired Employee."

26 "~~(14)~~ (15) SUPPLEMENTAL COVERAGE. Coverage offered to  
27 employees and retirees by the Public Education Employees'

1 Health Insurance Board in lieu of coverage in the basic  
2 medical plan of the Public Education Employees' Health  
3 Insurance Plan that supplements an employee's or retiree's  
4 other employer group health insurance coverage.

5 "~~(15)~~ (16) SUPPLEMENTAL POLICY. Policy offered to  
6 employees and retirees by the Public Education Employees'  
7 Health Insurance Board in lieu of or in addition to coverage  
8 in the basic medical plan of the Public Education Employees'  
9 Health Insurance Plan that provides a defined set of benefits.

10 "~~(16)~~ (17) YEARS OF SERVICE. The number of years and  
11 months of creditable service by an employee prior to  
12 retirement as determined by the Teachers' Retirement System or  
13 Employees' Retirement System including any periods of full  
14 time permanent employment subsequent to retirement up to a  
15 maximum of five years.

16 "§16-25A-8.1.

17 "(a) The board shall set forth the employer  
18 contribution to the health insurance premium for each retiree  
19 class.

20 "(b) (1) For Except as provided in subdivision (2),  
21 for employees who retire after September 30, 2005, but before  
22 January 1, 2012, ~~except for those who retire on disability and~~  
23 ~~who are approved for Social Security Disability,~~ the employer  
24 contribution of the health insurance premium set forth by the  
25 board for each retiree class shall be reduced by two percent  
26 for each year of service less than 25 and increased by two  
27 percent for each year of service over 25 subject to adjustment

1 by the board for changes in Medicare premium costs required to  
2 be paid by a retiree. In no case shall the employer  
3 contribution of the health insurance premium exceed 100  
4 percent of the total health insurance premium cost for the  
5 retiree.

6 "(2) Employees who retire on disability and apply  
7 for Social Security Disability shall be exempt from this  
8 subsection for a period of two years and thereafter if the  
9 employee is approved for Social Security Disability.

10 "(c) (1) Except as provided in subdivision (2), for  
11 employees who retire after December 31, 2011, the employer  
12 contribution to the health insurance premium set forth by the  
13 board for each retiree class shall be reduced by four percent  
14 for each year of service less than 25 and increased by two  
15 percent for each year of service over 25, subject to  
16 adjustment by the board for changes in Medicare premium costs  
17 required to be paid by a retiree. In no case shall the  
18 employer contribution of the health insurance premium exceed  
19 100 percent of the total health insurance premium cost for the  
20 retiree.

21 "(2) Employees who retire on disability and apply  
22 for Social Security Disability shall be exempt from this  
23 subsection for a period of two years and thereafter if the  
24 employee is approved for Social Security Disability.

25 "(d) For employees who retire after December 31,  
26 2011, who are not covered by Medicare, regardless of years of  
27 service, the employer contribution to the health insurance



1 premium set forth by the board for each retiree class shall be  
2 reduced by a percentage equal to one percent multiplied by the  
3 difference between the Medicare entitlement age and the age of  
4 the employee at the time of retirement as determined by the  
5 board. This reduction in the employer contribution shall cease  
6 upon notification to the board of the attainment of Medicare  
7 coverage.

8 "(e) No later than October 1, 2016, the net employer  
9 contribution to the health insurance premium for employees who  
10 retire after December 31, 2011, shall not exceed the amount of  
11 the employer contribution to cover the cost of an active  
12 employee.

13 "(f) For an employee who has elected to participate  
14 in the Deferred Retirement Option Plan (DROP), as defined  
15 under Section 16-25-150 and 36-27-170, the date the  
16 participant entered DROP is considered his or her retirement  
17 date for the purposes of the act adding this subsection only,  
18 provided that the DROP participant: (1) Does not voluntarily  
19 terminate participation in DROP within the first three years;  
20 and (2) withdraws from service at the end of the DROP  
21 participation period.

22 "§16-25A-17.1.

23 "The board shall provide assistance to low income  
24 employees and retirees who meet the federal poverty levels  
25 defined in this section, effective October 1, 2005, and for  
26 each fiscal year thereafter.

1           "(1) For employees and retirees who contribute to  
2 the cost of their health insurance premium and with annual  
3 income (determined as provided below on an aggregate basis for  
4 an employee or retiree and spouse) equal to or below ~~200~~ 300  
5 percent of the federal poverty level, the employee or retiree  
6 contribution shall be reduced as follows:

7           "a. For employees or retirees with annual income  
8 equal to or less than 100 percent of the federal poverty  
9 level, the employee contribution will be calculated using 50  
10 percent of the applicable premium.

11           "b. For employees or retirees with annual income  
12 equal to or less than ~~125~~ 150 percent of the federal poverty  
13 level, but more than 100 percent of the federal poverty level,  
14 the employee contribution will be calculated using 60 percent  
15 of the applicable premium.

16           "c. For employees or retirees with annual income  
17 equal to or less than ~~150~~ 200 percent of the federal poverty  
18 level, but more than ~~125~~ 150 percent of the federal poverty  
19 level, the employee contribution will be calculated using 70  
20 percent of the applicable premium.

21           "d. For employees or retirees with annual income  
22 equal to or less than ~~175~~ 250 percent of the federal poverty  
23 level, but more than ~~150~~ 200 percent of the federal poverty  
24 level, the employee contribution will be calculated using 80  
25 percent of the applicable premium.

26           "e. For employees or retirees with annual income  
27 equal to or less than ~~200~~ 300 percent of the federal poverty

1 level, but more than ~~175~~ 250 percent of the federal poverty  
2 level, the employee contribution will be calculated using 90  
3 percent of the applicable premium.

4 ~~"(2) For employees or retirees with children  
5 otherwise eligible for the federal Children's Health Insurance  
6 Program, such children shall receive the same level of  
7 benefits as children covered under the Children's Health  
8 Insurance Program."~~

9 ~~"(3)~~ (2) An application procedure shall be devised  
10 and implemented by the board through which employees and  
11 retirees may apply for the federal poverty level assistance  
12 described in this section. For purposes of applying for  
13 federal poverty level assistance, the annual income of an  
14 employee or retiree shall be aggregated with the annual income  
15 of the spouse of such employee or retiree and shall include  
16 all sources of income including, but not limited to, wages,  
17 pension benefits, and Social Security benefits, that may be  
18 included in gross income for purposes of federal income  
19 taxation. Applicants must submit with their application a copy  
20 of their federal tax return and, if the applicant did not file  
21 a joint return with his or her spouse, a copy of the spouse's  
22 federal tax return. Any reduction in an employee's or  
23 retiree's contribution pursuant to this section shall not be  
24 considered income of the employee or retiree for purposes of  
25 determining Medicaid eligibility for such employee or retiree.

26 "§16-25A-20.

1           "Any employee or retiree knowingly and willfully  
2 submitting materially false information to the board ~~shall or~~  
3 engaging in fraudulent activity that causes financial harm to  
4 the plan may, upon a determination by the board, ~~;~~ (1) repay  
5 all claims and other expenses, including an interest charge  
6 based on the applicable interest rate paid by the state under  
7 Section 40-1-44, incurred by the health insurance plan related  
8 to the intentional failure to comply with the rules and  
9 procedures of the board or the intentional submission of false  
10 or misleading information or fraudulent activity, submitted by  
11 the employee or retiree in addition to a charge based on the  
12 applicable interest rate paid by the state under Section  
13 40-1-44 and (2) may be subject to being disqualified from  
14 coverage under the plan.

15           "§16-25A-22.

16           "(a) A surcharge on smokers and users of tobacco  
17 products shall be added to the employee and retiree  
18 contribution by the board to be effective October 1, 2005.

19           "(b) No further increase in employee or retiree  
20 share of the health insurance premium or other out-of-pocket  
21 expenses, including, but not limited to, any surcharge, copay,  
22 or deductible, may be enacted unless the executive director  
23 certifies that after proper evaluation the increase is  
24 justified. ~~Additionally, no increase in employee or retiree~~  
25 ~~share of the health insurance premium, surcharge, copay,~~  
26 ~~deductible, or other out-of-pocket expenses may be enacted by~~  
27 ~~less than a two-thirds vote of the board members present."~~

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

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Senate

Read for the first time and referred to the Senate  
committee on Finance and Taxation General Fund ... 19-APR-11

Read for the second time and placed on the calen-  
dar 5 amendments..... 21-APR-11

Read for the third time and passed as amended .... 24-MAY-11

Yeas 21  
Nays 12

Patrick Harris  
Secretary