

1 SB419  
2 129834-2  
3 By Senator Marsh  
4 RFD: Finance and Taxation General Fund  
5 First Read: 19-APR-11

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8 SYNOPSIS: This bill would subject all employees  
9 retiring after December 31, 2011, to a new sliding  
10 scale premium calculation based on years of service  
11 and the difference between the age of the employee  
12 at retirement and the Medicare entitlement age.

13 This bill would provide that for all  
14 employees retiring after December 31, 2011, that  
15 the employer contribution for a non-Medicare  
16 retiree may not exceed the employer contribution  
17 for an active employee.

18 This bill would provide that PEEHIP is not  
19 subject to the Alabama Insurance Code.

20 This bill would provide that the employer  
21 contribution may include adjustments or surcharges  
22 based on a covered spouse's eligibility for other  
23 health insurance.

24 This bill would provide that assistance be  
25 given to low-income employees and retirees who fall  
26 within 300 percent of the federal poverty level.

1                   This bill may subject employees or retirees  
2                   who knowingly and willfully submit false or  
3                   misleading information to the PEEHIP Board or  
4                   engage in fraudulent activity to disqualification  
5                   from coverage in the plan.

6                   This bill would provide that a two-thirds  
7                   vote of the board members present would no longer  
8                   be required to change the employee or retiree  
9                   contribution to the health insurance premium or  
10                  other out-of-pocket expenses.

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12                                   A BILL  
13                                   TO BE ENTITLED  
14                                   AN ACT

15  
16                   Relating to the Public Education Employees' Health  
17                   Insurance Plan (PEEHIP); to amend Sections 16-25A-1, 16-25A-5,  
18                   16-25A-8.1, 16-25A-17.1, 16-25A-20, and 16-25A-22 of the Code  
19                   of Alabama 1975; to provide that the employer contribution may  
20                   include adjustments or surcharges based on a covered spouse's  
21                   eligibility for other health insurance; to provide that PEEHIP  
22                   is not subject to the Alabama Insurance Code; to subject  
23                   employees or retirees who knowingly and willfully submit false  
24                   or misleading information to the board or engage in fraudulent  
25                   activity to disqualification from coverage in the plan; to  
26                   provide that all employees retiring after December 31, 2011,  
27                   be subject to a new sliding scale premium calculation based on

1 years of service; to provide that all employees retiring after  
2 December 31, 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; to  
5 provide that for all employees retiring after June 30, 2011,  
6 the employer contribution for a non-Medicare retiree may not  
7 exceed the employer contribution for an active employee; to  
8 provide that assistance be given to low-income employees and  
9 retirees who fall within 300 percent of the federal poverty  
10 level; to provide further for percentages of federal poverty  
11 level with regard to assistance to low-income families; and to  
12 provide that a two-thirds vote of the Public Education  
13 Employees' Health Insurance Board would no longer be required  
14 to change the employee or retiree contribution to the health  
15 insurance premium or other out-of-pocket expenses.

16 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

17 Section 1. Sections 16-25A-1, 16-25A-5, 16-25A-8.1,  
18 16-25A-17.1, 16-25A-20, and 16-25A-22 of the Code of Alabama  
19 1975, are amended to read as follows:

20 "§16-25A-1.

21 "When used in this article, the following terms  
22 shall have the following meanings, respectively, unless the  
23 context clearly indicates otherwise:

24 "(1) EMPLOYEE. Any person covered by the Public  
25 Education Employees' Health Insurance Plan pursuant to Section  
26 16-25A-11 or person who is employed full-time in 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 Deaf and Blind;  
4 provided, any person employed part-time by any public  
5 institution of education within the State of Alabama which  
6 provides instruction at any combination of grades K through  
7 14, exclusively, under the auspices of the State Board of  
8 Education or the Alabama Institute for the Deaf and Blind,  
9 shall be included in the definition of employee if such person  
10 shall agree to have deducted from his or her compensation a  
11 pro rata portion of the premium cost of a full-time employee,  
12 based on the percentage of time such person is employed, in  
13 accordance with such rules and regulations as shall be adopted  
14 by the board.

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

1 postsecondary institution who participated pursuant to Section  
2 36-27-6.

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

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

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

15 "(6) EMPLOYER CONTRIBUTION. The amount of the total  
16 health insurance premium to be paid by the employer as  
17 determined by the board.

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

26 "(8) HEALTH INSURANCE PREMIUM. The total health  
27 insurance cost under a health insurance plan with respect to

1 each class of employees or retirees. Individual premiums may  
2 include adjustments and surcharges for (i) family size  
3 including, but not limited to, a husband and wife both being  
4 covered by a health insurance plan as defined herein, (ii)  
5 spouse's eligibility for other health insurance, (iii) smokers  
6 and users of tobacco products, ~~(iii)~~ (iv) preventive care and  
7 wellness care participation, and ~~(iv)~~ (v) any such other  
8 categories of risk that the board shall approve.

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

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

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

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

1                   "(13) PEEHIP. The Public Education Employees' Health  
2                   Insurance Plan.

3                   "~~(13)~~(14) RETIREE. Same as "Retired Employee."

4                   "~~(14)~~(15) SUPPLEMENTAL COVERAGE. Coverage offered to  
5                   employees and retirees by the Public Education Employees'  
6                   Health Insurance Board in lieu of coverage in the basic  
7                   medical plan of the Public Education Employees' Health  
8                   Insurance Plan that supplements an employee's or retiree's  
9                   other employer group health insurance coverage.

10                  "~~(15)~~(16) SUPPLEMENTAL POLICY. Policy offered to  
11                  employees and retirees by the Public Education Employees'  
12                  Health Insurance Board in lieu of or in addition to coverage  
13                  in the basic medical plan of the Public Education Employees'  
14                  Health Insurance Plan that provides a defined set of benefits.

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

21                  "§16-25A-5.

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



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

14 "(b) Any member employee or, under certain  
15 conditions, retired employee may elect an optional or  
16 supplemental coverage provided by the board which shall  
17 include but is not limited to dental, cancer, or indemnity  
18 benefits. Such election shall be in accordance with the rules  
19 and regulations and at such times as the board shall  
20 prescribe. Election of an optional or supplemental coverage  
21 shall be in lieu of primary coverage under the basic medical  
22 plan, provided any individual covered under the basic medical  
23 plan may elect an optional coverage upon agreeing to pay the  
24 costs of such coverage. Any member employee or retired  
25 employee who does not elect an optional or supplemental  
26 coverage shall be deemed as a matter of law to have elected  
27 basic medical primary coverage.

1           "§16-25A-8.1.

2           "(a) The board shall set forth the employer  
3 contribution to the health insurance premium for each retiree  
4 class.

5           "(b) For employees who retire after September 30,  
6 2005, but before January 1, 2012, except for those who retire  
7 on disability and who are approved for Social Security  
8 Disability, the employer contribution of the health insurance  
9 premium set forth by the board for each retiree class shall be  
10 reduced by two percent for each year of service less than 25  
11 and increased by two percent for each year of service over 25  
12 subject to adjustment by the board for changes in Medicare  
13 premium costs required to be paid by a retiree. In no case  
14 shall the employer contribution of the health insurance  
15 premium exceed 100 percent of the total health insurance  
16 premium cost for the retiree.

17           "(c) For employees who retire after December 31,  
18 2011, the employer contribution to the health insurance  
19 premium set forth by the board for each retiree class shall be  
20 reduced by four percent for each year of service less than 25  
21 and 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           "(d) For employees who retire after December 31,  
2           2011, who are not covered by Medicare, the employer  
3           contribution to the health insurance premium set forth by the  
4           board for each retiree class shall be reduced by a percentage  
5           equal to one percent multiplied by the difference between the  
6           Medicare entitlement age and the age of the employee at the  
7           time of retirement as determined by the board. This reduction  
8           in the employer contribution shall cease upon notification to  
9           the board of the attainment of Medicare coverage.

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

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

24           "§16-25A-17.1.

25           "The board shall provide assistance to low income  
26           employees and retirees who meet the federal poverty levels

1 defined in this section, effective October 1, 2005, and for  
2 each fiscal year thereafter.

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

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

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

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

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

1            "e. For employees or retirees with annual income  
2 equal to or less than ~~200~~ 300 percent of the federal poverty  
3 level, but more than ~~175~~ 250 percent of the federal poverty  
4 level, the employee contribution will be calculated using 90  
5 percent of the applicable premium.

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

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

1           "§16-25A-20.

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

14           "§16-25A-22.

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

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