

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

1 SB419

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4 ENROLLED, An Act,

5 Relating to the Public Education Employees' Health
6 Insurance Plan (PEEHIP); to amend Sections 16-25A-1,
7 16-25A-8.1, 16-25A-17.1, 16-25A-20, and 16-25A-22 of the Code
8 of Alabama 1975; to provide that the employer contribution may
9 include adjustments or surcharges based on a covered spouse's
10 eligibility for other health insurance; to subject employees
11 or retirees who knowingly and willfully submit false or
12 misleading information to the board or engage in fraudulent
13 activity to disqualification from coverage in the plan; to
14 provide that all employees retiring after December 31, 2011,
15 with certain exceptions, be subject to a new sliding scale
16 premium calculation based on years of service; to provide that
17 all employees retiring after December 31, 2011, be subject to
18 a sliding scale premium calculation based on the difference
19 between the age of the employee at retirement and the Medicare
20 entitlement age; to provide that for all employees retiring
21 after December 31, 2011, the employer contribution for a
22 non-Medicare retiree may not exceed the employer contribution
23 for an active employee no later than October 1, 2016; to
24 provide that assistance be given to low-income employees and
25 retirees who fall within 300 percent of the federal poverty

1 level; to provide further for percentages of federal poverty
2 level with regard to assistance to low-income families; and to
3 provide that a two-thirds vote of the Public Education
4 Employees' Health Insurance Board would no longer be required
5 to change the employee or retiree contribution to the health
6 insurance premium or other out-of-pocket expenses.

7 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

8 Section 1. Sections 16-25A-1, 16-25A-8.1,
9 16-25A-17.1, 16-25A-20, and 16-25A-22 of the Code of Alabama
10 1975, are amended to read as follows:

11 "§16-25A-1.

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

15 "(1) EMPLOYEE. Any person covered by the Public
16 Education Employees' Health Insurance Plan pursuant to Section
17 16-25A-11 or person who is employed full-time in any public
18 institution of education within the State of Alabama which
19 provides instruction at any combination of grades K through
20 14, exclusively, under the auspices of the State Board of
21 Education or the Alabama Institute for Deaf and Blind;
22 provided, any person employed part-time by any public
23 institution of education within the State of Alabama which
24 provides instruction at any combination of grades K through
25 14, exclusively, under the auspices of the State Board of

1 Education or the Alabama Institute for the Deaf and Blind,
2 shall be included in the definition of employee if such person
3 shall agree to have deducted from his or her compensation a
4 pro rata portion of the premium cost of a full-time employee,
5 based on the percentage of time such person is employed, in
6 accordance with such rules and regulations as shall be adopted
7 by the board.

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

23 "(3) BOARD. The Public Education Employees' Health
24 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

1 including, but not limited to, a husband and wife both being
2 covered by a health insurance plan as defined herein, (ii)
3 spouse's eligibility for other health insurance, (iii) smokers
4 and users of tobacco products, (iv) preventive care and
5 wellness care participation, and (v) any such other categories
6 of risk that the board shall approve.

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

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

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

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

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

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

4 "(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 "(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 "(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-8.1.

22 "(a) The board shall set forth the employer
23 contribution to the health insurance premium for each retiree
24 class.

1 "(b) (1) Except as provided in subdivision (2), for
2 employees who retire after September 30, 2005, but before
3 January 1, 2012, the employer contribution of the health
4 insurance premium set forth by the board for each retiree
5 class shall be reduced by two percent for each year of service
6 less than 25 and increased by two percent for each year of
7 service over 25 subject to adjustment by the board for changes
8 in Medicare premium costs required to be paid by a retiree. In
9 no case shall the employer contribution of the health
10 insurance premium exceed 100 percent of the total health
11 insurance premium cost for the retiree.

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

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

1 100 percent of the total health insurance premium cost for the
2 retiree.

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

7 "(d) For employees who retire after December 31,
8 2011, who are not covered by Medicare, regardless of years of
9 service, the employer contribution to the health insurance
10 premium set forth by the board for each retiree class shall be
11 reduced by a percentage equal to one percent multiplied by the
12 difference between the Medicare entitlement age and the age of
13 the employee at the time of retirement as determined by the
14 board. This reduction in the employer contribution shall cease
15 upon notification to the board of the attainment of Medicare
16 coverage.

17 "(e) No later than October 1, 2016, the net employer
18 contribution to the health insurance premium for employees who
19 retire after December 31, 2011, shall not exceed the amount of
20 the employer contribution to cover the cost of an active
21 employee.

22 "(f) For an employee who has elected to participate
23 in the Deferred Retirement Option Plan (DROP), as defined
24 under Section 16-25-150 and 36-27-170, the date the
25 participant entered DROP is considered his or her retirement

1 date for the purposes of the act adding this subsection only,
2 provided that the DROP participant: (1) Does not voluntarily
3 terminate participation in DROP within the first three years;
4 and (2) withdraws from service at the end of the DROP
5 participation period.

6 "§16-25A-17.1.

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

11 "(1) For employees and retirees who contribute to
12 the cost of their health insurance premium and with annual
13 income (determined as provided below on an aggregate basis for
14 an employee or retiree and spouse) equal to or below 300
15 percent of the federal poverty level, the employee or retiree
16 contribution shall be reduced as follows:

17 "a. For employees or retirees with annual income
18 equal to or less than 100 percent of the federal poverty
19 level, the employee contribution will be calculated using 50
20 percent of the applicable premium.

21 "b. For employees or retirees with annual income
22 equal to or less than 150 percent of the federal poverty
23 level, but more than 100 percent of the federal poverty level,
24 the employee contribution will be calculated using 60 percent
25 of the applicable premium.

1 "c. For employees or retirees with annual income
2 equal to or less than 200 percent of the federal poverty
3 level, but more than 150 percent of the federal poverty level,
4 the employee contribution will be calculated using 70 percent
5 of the applicable premium.

6 "d. For employees or retirees with annual income
7 equal to or less than 250 percent of the federal poverty
8 level, but more than 200 percent of the federal poverty level,
9 the employee contribution will be calculated using 80 percent
10 of the applicable premium.

11 "e. For employees or retirees with annual income
12 equal to or less than 300 percent of the federal poverty
13 level, but more than 250 percent of the federal poverty level,
14 the employee contribution will be calculated using 90 percent
15 of the applicable premium.

16 "(2) An application procedure shall be devised and
17 implemented by the board through which employees and retirees
18 may apply for the federal poverty level assistance described
19 in this section. For purposes of applying for federal poverty
20 level assistance, the annual income of an employee or retiree
21 shall be aggregated with the annual income of the spouse of
22 such employee or retiree and shall include all sources of
23 income including, but not limited to, wages, pension benefits,
24 and Social Security benefits, that may be included in gross
25 income for purposes of federal income taxation. Applicants

1 must submit with their application a copy of their federal tax
2 return and, if the applicant did not file a joint return with
3 his or her spouse, a copy of the spouse's federal tax return.
4 Any reduction in an employee's or retiree's contribution
5 pursuant to this section shall not be considered income of the
6 employee or retiree for purposes of determining Medicaid
7 eligibility for such employee or retiree.

8 "§16-25A-20.

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

20 "§16-25A-22.

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

24 "(b) No further increase in employee or retiree
25 share of the health insurance premium or other out-of-pocket

1 expenses, including, but not limited to, any surcharge, copay,
2 or deductible, may be enacted unless the executive director
3 certifies that after proper evaluation the increase is
4 justified."

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

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President and Presiding Officer of the Senate

Speaker of the House of Representatives

SB419

Senate 24-MAY-11

I hereby certify that the within Act originated in and passed the Senate, as amended.

Patrick Harris
Secretary

House of Representatives
Passed: 09-JUN-11

By: Senator Marsh