SB419
131992-3
By Senator Marsh
RFD: Finance and Taxation General Fund
First Read: 19-APR-11
ENROLLED, An Act,

Relating to the Public Education Employees' Health Insurance Plan (PEEHIP); to amend Sections 16-25A-1, 16-25A-8.1, 16-25A-17.1, 16-25A-20, and 16-25A-22 of the Code of Alabama 1975; to provide that the employer contribution may include adjustments or surcharges based on a covered spouse's eligibility for other health insurance; to subject employees or retirees who knowingly and willfully submit false or misleading information to the board or engage in fraudulent activity to disqualification from coverage in the plan; to provide that all employees retiring after December 31, 2011, with certain exceptions, be subject to a new sliding scale premium calculation based on years of service; to provide that all employees retiring after December 31, 2011, be subject to a sliding scale premium calculation based on the difference between the age of the employee at retirement and the Medicare entitlement age; to provide that for all employees retiring after December 31, 2011, the employer contribution for a non-Medicare retiree may not exceed the employer contribution for an active employee no later than October 1, 2016; to provide that assistance be given to low-income employees and retirees who fall within 300 percent of the federal poverty
level; to provide further for percentages of federal poverty level with regard to assistance to low-income families; and to provide that a two-thirds vote of the Public Education Employees' Health Insurance Board would no longer be required to change the employee or retiree contribution to the health insurance premium or other out-of-pocket expenses.

BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

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

"§16-25A-1.

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

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

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

"(3) BOARD. The Public Education Employees' Health
Insurance Board.
"(4) CLASS. An employee or retiree shall be included in one of the following classes: (i) active employee single, (ii) active employee family, (iii) non-Medicare retiree single, (iv) non-Medicare retiree family, (v) Medicare retiree single, (vi) Medicare retiree family, (vii) non-Medicare retiree with Medicare eligible dependent(s), or (viii) Medicare retiree with non-Medicare dependent(s).

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

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

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

"(8) HEALTH INSURANCE PREMIUM. The total health insurance cost under a health insurance plan with respect to each class of employees or retirees. Individual premiums may include adjustments and surcharges for (i) family size"
including, but not limited to, a husband and wife both being covered by a health insurance plan as defined herein, (ii) spouse's eligibility for other health insurance, (iii) smokers and users of tobacco products, (iv) preventive care and wellness care participation, and (v) any such other categories of risk that the board shall approve.

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

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

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

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

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

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

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

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


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

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

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

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

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

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

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

"§16-25A-17.1.

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

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

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

"b. For employees or retirees with annual income equal to or less than 150 percent of the federal poverty level, but more than 100 percent of the federal poverty level, the employee contribution will be calculated using 60 percent of the applicable premium."
"c. For employees or retirees with annual income equal to or less than 200 percent of the federal poverty level, but more than 150 percent of the federal poverty level, the employee contribution will be calculated using 70 percent of the applicable premium.

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

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

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


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

"§16-25A-22.

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

"(b) No further increase in employee or retiree share of the health insurance premium or other out-of-pocket
expenses, including, but not limited to, any surcharge, copay, or deductible, may be enacted unless the executive director certifies that after proper evaluation the increase is justified."

Section 2. This act shall become effective immediately following its passage and approval by the Governor, or its otherwise becoming law.
SB419

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

Approved: June 14, 2011
Time: 3:40 p.m.

Alabama Secretary Of State
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