

1 HB649
2 118510-3
3 By Representatives Ison, Lindsey, McCutcheon, Gipson and
4 Fincher
5 RFD: Government Appropriations
6 First Read: 02-MAR-10

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8 SYNOPSIS: Under existing law, any state employee who
9 retires from state service after September 30,
10 2005, may receive years of service credit to apply
11 to the sliding scale retiree health insurance
12 premium for years of service not related to state
13 service.

14 This bill would require for all employees
15 retiring after September 30, 2010, that the retiree
16 sliding scale premium calculation be based on years
17 of coverage in the State Employees' Health
18 Insurance Plan or for time served in the United
19 States Armed Forces or as an employee as defined in
20 Sections 16-25A-1 and 16-25A-11 of the Code of
21 Alabama 1975.

22
23 A BILL
24 TO BE ENTITLED
25 AN ACT
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1 To amend Sections 36-29-1, 36-29-10, and 36-29-19.7
2 of the Code of Alabama 1975, relating to the State Employees'
3 Health Insurance Plan; to require that the retiree sliding
4 scale premium calculation be based on years of coverage in the
5 plan or for time served in the United States Armed Forces or
6 as an employee as defined in Sections 16-25A-1 and 16-25A-11
7 of the Code of Alabama 1975.

8 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

9 Section 1. Sections 36-29-1, 36-29-10, and
10 36-29-19.7 of the Code of Alabama 1975, are amended to read as
11 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) smokers and users of tobacco products,
26 (iii) preventative care and wellness care participation, and

1 (iv) any such other categories of risk that the board shall
2 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 coverage, meets the
19 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 ~~SERVICE~~ COVERAGE. The number of years
21 and months of creditable ~~service~~ coverage in the State
22 Employees' Health Insurance Plan by an employee prior to
23 retirement as determined by the ~~Employees' Retirement System,~~
24 ~~Teachers' Retirement System, or Judicial Retirement System~~
25 State Employees' Insurance Board, including any periods of
26 full time permanent employment subsequent to retirement up to
27 a maximum of five years. ~~Except for creditable service related~~

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

22 "§36-29-10.

23 "Employees covered under the plan with at least 10
24 years of coverage who retire from active service and begin
25 receiving monthly benefits from the Employees' Retirement
26 System of Alabama, Judicial Retirement System of Alabama, or
27 from the Teachers' Retirement System of Alabama may elect to

1 continue coverage under the plan by consenting to have the
2 employee contribution deducted from their monthly benefit
3 payment for coverage of such retired employees. The premiums
4 so deducted shall be transmitted monthly to the board.
5 Notwithstanding the foregoing provisions no person otherwise
6 eligible for coverage under the plan shall be denied
7 participation therein, for the reason that such person is
8 precluded from having the cost of his or her coverage deducted
9 from a monthly benefit payment. The board shall adopt such
10 rules and regulations as they deem appropriate and necessary
11 for carrying out the provisions of this section.

12 "§36-29-19.7.

13 "The board shall set forth the employer contribution
14 to the health insurance premium for each retiree class. ~~For~~
15 ~~employees~~ Employees who retire ~~other than for disability~~ after
16 September 30, 2005, shall be subject to a sliding scale
17 premium calculation whereby the employer contribution to the
18 health insurance premium set forth by the board for each
19 retiree class shall be reduced by two percent for each year of
20 ~~service~~ coverage less than 25 and increased by two percent for
21 each year of ~~service~~ coverage over 25, subject to adjustment
22 by the board for changes in Medicare premium costs required to
23 be paid by a retiree. The sliding scale premium calculation
24 shall not apply to employees who retire from state service due
25 to disability prior to July 1, 2010. In no case shall the
26 employer contribution of the health insurance premium exceed
27 100 percent of the total health insurance premium cost for the

1 retiree. Effective October 1, 2010, the amount of the employer
2 contribution to cover the cost of a retiree who is not covered
3 by Medicare and who retires after September 30, 2010, shall
4 not exceed the amount of the employer contribution to cover
5 the cost of an active employee."

6 Section 2. This act shall become effective on the
7 first day of the third month following its passage and
8 approval by the Governor, or its otherwise becoming law.