

PEEHIP LAW CHANGES

**Public Education Employees' Health Insurance Plan
2011 – 2012**



The PEEHIP Law Changed

- The Legislature enacted legislation (Act 2011-704) which established changes to PEEHIP.
- Health care premiums will increase for public education and state retirees **who retire on or after January 1, 2012.**
- The PEEHIP sliding scale will now take into effect a retiree's:
 1. **Years of service at time of retirement** (Service Component)
 2. **Age at time of retirement** (Age Component)
 3. **The Subsidy premium** (Subsidy Component)

The subsidy premium is the net difference in the active employee's subsidy and the non-Medicare retiree subsidy. *Age and Subsidy premium components will cease upon attainment of Medicare coverage.*

Legislation (Continued)

- Current DROP participants are exempt from the new legislation if the employee completes the Drop contract of 3-5 years and goes forward with withdrawing from service at the end of the DROP participation period. Otherwise the provisions of this new legislation will apply to current DROP participants.
- A **Retiree Premium Calculator** will be available on the RSA website in August 2011 which can help you estimate your future health insurance premiums after retirement and assist you in your financial planning for retirement. The retiree premium calculator will be available at www.rsa-al.gov

Examples:

Scenarios		Single Coverage FY 2012		Family Coverage FY 2012 Rates	
Years of Service	Age	Current Monthly Premium	Estimated mo. Premium increase for 1/1/2012*	Current monthly Premium	Estimated mo. Premium increase for 1/1/2012*
10	60	\$303.10	\$55.02*	\$543.10	\$55.02*
25	50	\$151.00	\$34.74*	\$391.00	\$34.74*
25	60	\$151.00	\$24.60*	\$391.00	\$24.60*
30	55	\$100.30	\$29.67*	\$340.30	\$29.67*

These rates do not include the monthly tobacco premium.

- **The monthly premium is estimated to increase by this amount each year until 2016.**
Other examples are given in your PEEHIP Advisor.

Example One: Age 60 with 10 Years

Years of service at time of retirement (Service Component)

Pay 4% for each year under 25 years of service. Current law you pay 2% more. You pay an additional 2% more under new law and this amount will be phased in over 5 years.

Example: $25 - 10 = 15 \times 2\% = 30\% \times \$507 = \mathbf{\$152.10}$

Age at time of retirement (Age Component)

Pay 1% more for each year under age 65. This amount will be phased in over 5 years.

Example: $65 - 60 = 5 \times 1\% = 5\% \times \$507 = \mathbf{\$25.35}$

The Subsidy premium (Subsidy Component)

FY 2012 subsidy amount is $\mathbf{\$97.65}$. This amount will be phased in over 5 years.

Example One: Age 60 with 10 Years cont'd

Total of these three components: \$275.10

\$275.10 divided by 5 = \$55.02. The premium is estimated to increase by a minimum of this amount each year until 2016 .

\$303.10 Base Premium

+ 55.02 1/5 of total premium components

\$358.12 Applicable for 1/1/2012 – 9/30/2013

+ 55.02 1/5 of total premium components

\$413.14 Applicable for 10/1/2013 – 9/30/2014

Etc....

NOTE: The age and subsidy premium components are no longer applicable when become Medicare eligible. The years of service component remains applicable.

Example One: Age 60 with 10 Years (Family coverage)

Total of these three components: \$275.10

\$275.10 divided by 5 = \$55.02. The premium is estimated to increase by a minimum of this amount each year until 2016 .

\$543.10 Base Premium

+ 55.02 1/5 of total premium components

\$598.12 Applicable for 1/1/2012 – 9/30/2013

+ 55.02 1/5 of total premium components

\$653.14 Applicable for 10/1/2013 – 9/30/2014

Etc....

NOTE: The age and subsidy premium components are no longer applicable when become Medicare eligible. The years of service component remains applicable.

Example Two: Age 50 with 25 Years

Years of service at time of retirement (Service Component)

Pay 4% for each year under 25 years of service. Current law you pay 2% more. In this example, no additional 2% under new law.

Example: $25 - 25 = \$0$

Age at time of retirement (Age Component)

Pay 1% more for each year under age 65. This amount will be phased in over 5 years.

Example: $65 - 50 = 15 \times 1\% = 15\% \times \$507 = \mathbf{\$76.05}$

The Subsidy premium will be added to the base premium rate

(Subsidy Component). FY 2012 subsidy amount is $\mathbf{\$97.65}$.

This amount will be phased in over 5 years.

Example Two: Age 50 with 25 Years cont'd

Total of these three components: \$173.70

\$173.70 divided by 5 = \$34.74. The premium is estimated to increase by a minimum of this amount each year until 2016 .

\$151.00 Base Premium

+ 34.74 1/5 of total premium components

\$185.74 Applicable for 1/1/2012 – 9/30/2013

+ 34.74 1/5 of total premium components

\$220.48 Applicable for 10/1/2013 – 9/30/2014

Etc....

NOTE: The age and subsidy premium components are no longer applicable when become Medicare eligible.

Example Two: Age 50 with 25 Years (Family Coverage)

Total of these three components: \$173.70

\$173.70 divided by 5 = **\$34.74**. The premium is estimated to increase by a minimum of this amount each year until 2016 .

\$391.00 Base Premium

+ 34.74 1/5 of total premium components

\$425.74 Applicable for 1/1/2012 – 9/30/2013

+ 34.74 1/5 of total premium components

\$460.48 Applicable for 10/1/2013 – 9/30/2014

Etc...

NOTE: The age and subsidy premium components are no longer applicable when become Medicare eligible.

Benefits of continuing to work:

- You will continue to receive your full salary and continue to pay \$15/\$177 for your insurance if you keep working.
- You will receive approximately 2% more in retirement benefits for each additional year that you work.
- Your insurance premium will be reduced by 2% for each additional year worked and 1% for each year closer to age 65.

Premium payment assistance

PEEHIP provides premium assistance to active and retired PEEHIP members with a combined family income of less than or equal to 300% of the Federal Poverty Level (FPL) as defined by federal law. Members may apply at any time by completing an FPL application and submitting a copy of their most recent tax return. If qualified, members will receive a discount of 10 to 50 percent of the hospital medical premium.



If you become employed by another employer after retirement and the other employer provides at least 50 percent of the cost of single health insurance coverage, you are required to use the other employer's health benefit plan for primary coverage. You may enroll in the PEEHIP Supplemental Plan or the PEEHIP Optional Plans.

IMPORTANT!

You must retire no later than DECEMBER 1, 2011 to be exempt from new law

Your retirement application must be postmarked or hand delivered to TRS no later than NOVEMBER 1, 2011.

Your employer may require that you submit your retirement application to HR by mid-October, so check with your HR office.