

Message from PEEHIP Concerning the AEA Lawsuit

As many of you know, last year the Alabama Education Association (AEA) filed suit against the PEEHIP Board seeking to overturn the premium and spousal surcharge increases that went into effect on October 1, 2016. On Monday, August 21, 2017, PEEHIP's lawyers received notice that the trial judge had granted summary judgment to AEA and ordered that the premium increase and spousal surcharge be invalidated. The judge also ordered that the additional premiums and spousal surcharges paid since October 1, 2016, be refunded to PEEHIP members.

This litigation is far from over. It involves important issues which bear upon the ability of the PEEHIP board – which consists of 15 members, 12 of whom you elect from TRS membership – to effectively manage the PEEHIP program. PEEHIP has no choice but to appeal the decision and seek a stay of the order to refund premiums until the case has been decided by the Alabama Supreme Court. PEEHIP's lawyers believe that the Court's order is incorrect and will be reversed on appeal. If the Court orders a stay of the refunds, members will not receive a refund in the foreseeable future and may never receive one if the Alabama Supreme Court overturns the trial court's ruling.

PEEHIP is a self-funded health plan, which means that your premiums and the amounts contributed for education employees by your employers (currently \$800 per employee per month) is paid into the PEEHIP fund and used to pay participants' healthcare costs. The PEEHIP fund is the only money available to pay claims. Your healthcare plan is not underwritten by Blue Cross/ Blue Shield of Alabama – they are merely administrators of the plan and do not provide funds to pay claims. If the PEEHIP fund runs short of funds, there will be no money for your healthcare and medications.

AEA has taken the position that there should never be a premium increase to PEEHIP participants. This is a popular position because no one, including the PEEHIP board and staff, wants premiums to increase. Although the Legislature has increased funding for PEEHIP over the last several years, there is a limit to the funds available for employers to contribute. And although the PEEHIP staff has been diligent in implementing cost-saving measures and seeking out federal subsidies, there is a limit to those sources of funds as well. Meanwhile, PEEHIP costs continue to rise, and PEEHIP faces shortfalls of hundreds of millions of dollars in the next few years. That is why PEEHIP is appealing this case: Your PEEHIP Board needs to have the ability to manage the plan so that premiums can remain as low as possible and your healthcare coverage is there when you need it.

There is a lot of inaccurate information regarding this litigation coming from outside sources. PEEHIP has the most accurate and up-to-date information concerning the effect of this lawsuit on you. Please direct any questions you may have to Member Services at 334.517.7000 or toll-free 877.517.0020.