



The Facts About the Changes in the PEEHIP Law

The Alabama Legislature enacted Act # 2011-704 that established changes to the PEEHIP retiree sliding scale premium calculation. As you read the questions and answers below, **note that not everyone is impacted by the new law in the same way.** Some will be highly impacted, some will be minimally impacted, and some will not be impacted at all. How the new law impacts you has a lot to do with your years of service in the public education system and your age at the time of retirement.

Does the new law apply to me? The new law applies to employees who retire on or after January 1, 2012. The new law does not affect active employee premiums.

Who is exempt from the new law? It is important to note that these changes do **NOT** apply to current retirees and employees who retire before January 1, 2012.

The new law will have no impact at all on employees who have 25 years of service or more and are at least age 65 at retirement.

How does the new law affect current DROP participants and post-DROP participants? Current DROP participants are exempt from the new law if the employee withdraws from

state service at the end of his or her three- to five-year DROP participation period.

Those who complete their DROP period after January 1, 2012, but do not separate from state service and continue their employment will be subject to the new law when they retire.

Employees who have already completed their DROP participation period prior to January 1, 2012, will be exempt from the new law if he or she retires before January 1, 2012. If the employee retires on or after January 1, 2012, the new law will apply to the employee when he or she retires.

Who will be most impacted by the new law? The new law will have the greatest impact on employees who retire with minimal state service (for example, someone with 10 years of service at age 60), and those who have 25 years of service but are far from Medicare eligibility age 65.

Who will be minimally impacted by the new law? Those employees who have 25 years of service or more and are close to Medicare eligibility age 65 will be minimally impacted by the new law.

Will my PEEHIP premiums be reduced when I become Medicare eligible? Yes. Whether an employee retires prior to or on or after January

1, 2012, the retiree's premium will be reduced upon attainment of Medicare coverage. Because Medicare pays primary and PEEHIP pays secondary on Medicare eligible members and their dependents, the Medicare-eligible Retiree Premium Class Rates are much lower than the Non-Medicare eligible Retiree Premium Rates. For example, a retiree who has 27 or more years of service and is age 65 with single coverage will pay zero (\$0.00) for his or her PEEHIP premium.

Additionally, the age penalty and subsidy penalty (applied to those who retire on or after 1/1/2012) will cease upon Medicare entitlement. The years of service penalty, if applicable, will continue throughout retirement. The retiree premium is substantially reduced if the retiree is Medicare eligible at retirement because the age and subsidy penalties do not apply to a Medicare eligible retiree. The base retiree premium decreases when the retiree or eligible dependents become Medicare eligible.

Does PEEHIP have a program that offers assistance with premiums? Yes. 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

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completing an FPL Application and submitting a copy of their most recent tax return to PEEHIP. If qualified, members will receive a discount of 10 to 50 percent of the hospital medical premium. Members must reapply every year during Open Enrollment.

If an employee retires before January 1, 2012, but does not enroll in PEEHIP until after January 1, 2012, will the retiree be affected by the new law? No. The new law is based on the retiree's retirement date and not their enrollment date in PEEHIP coverage.

What changes did the new law make to the retiree sliding scale premium calculation? The new law requires an employee who retires with less than 25 years of service to pay 4% more for each year under 25 years of service (**years of service premium**). The current law requires an employee to pay 2% more for each year under 25 years of service.

The new law also requires an employee who retires before becoming Medicare eligible:

- ◆ To pay 1% more for each year less than age 65 (**age premium**), and
- ◆ To pay the net difference between the active employee subsidy and the non-Medicare eligible retiree subsidy (**subsidy premium**)

Note: When the retiree becomes Medicare eligible, the age and subsidy premium will no longer apply. However, the years of service premium (if applicable to the retiree) will continue to be applied throughout retirement.

Explain how the sliding scale calculation under the new law works. To explain the calculation, you must first know that the total premium or cost for retiree coverage is broken down into two components:

The **employer share** which is the subsidized amount PEEHIP pays, and

The **retiree share** which is the out-of-pocket amount the retiree pays

Under the sliding scale premium calculation, the **employer share** is adjusted up or down by a percentage based on years of service and by a percentage based on the age of the employee at the time of the employee's retirement.

Please note that the **total premium** and its two components are subject to change each year because these amounts are based on several factors which include claims cost and medical trend, the amount of funding for the PEEHIP program set by the Alabama Legislature, the member out-of-pocket amounts for copayments and deductibles, and premiums set by the Board.

When are the penalties under the new law due? The new law specifies that the **additional** penalties under the new law can be phased in over a five year period so that by October 2016 the full penalty is due. For example, employee retirees January 1, 2012, the monthly premium in year one of retirement would include 1/5 of the retiree's total penalty; the monthly premium in year two of retirement would include 2/5 of the retiree's total penalty; the monthly premium in year three of retirement would include 3/5 of the retiree's total penalty; the monthly premium in year four of retirement would include 4/5 of the retiree's total penalty; and finally, the monthly premium in year five of retirement would include the retiree's total penalty. No additional penalty increases will be applied beyond year 2016.

Note: The age and subsidy penalties will cease upon attainment of Medicare.

What is the last day an employee can retire and not be subject to the new law? The last day an employee can retire and not be subject to the new law is December 1, 2011.

The employee must file all retirement paperwork with RSA no

later than November 1, 2011, to retire by December 1, 2011.

What are the pros for not retiring and working longer? Members need to really think about not making their retirement decision solely on the new law because there are advantages to working longer. Working an extra five years carries four advantages:

- ◆ First, you will continue to receive your full salary as an active employee instead of the reduced retiree pension.
- ◆ Second, those extra five years will give you about 10% more in retirement income for the rest of your life and more for the life of your designated dependent.
- ◆ Third, it will allow you to continue to be charged the lower insurance premium for an active employee versus the higher premium required for retired employees.
- ◆ Fourth, for each additional year you work over 25 years, you will receive a 2% bonus. For example, a retiree who has 35 years of service will earn of 20% discount off of his or her retiree premium.

Additionally, if you retire and become employed by another employer and the other employer provides at least 50% of the cost of your insurance coverage, you are required to use the other employer's group health insurance plan for primary coverage. You may only enroll in the PEEHIP Supplemental Hospital Medical Plan or the PEEHIP Optional Plans.

In conclusion, it is important for employees to fully understand the provisions of the new law and to understand that it does not affect everyone in the same way.

As explained above, some will be heavily impacted, some will be minimally impacted, and some will not be impacted at all. Employees should fully understand the more years

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of service he or she has in the public education system and the closer to age 65 he or she is upon retiring, the least impact the new law will have on the retired employee.

Employees who are eligible to retire by December 1, 2011, may actually benefit more by not retiring because the increase in their years of service will help defray the additional penalties

under the new law but the increase in their retirement benefits may more than offset any increase in their PEEHIP premiums.

Please visit the PEEHIP web page at www.rsa-al.gov/PEEHIP/peehip.html to view the Webinar presentation and the Video Update for even more information about the new law changes.

The RSA has two retiree premium

calculators and two retirement benefit calculators available on its Web site at www.rsa-al.gov to help you estimate your future PEEHIP retiree health insurance premiums and future TRS retirement benefits and assist you in your financial planning for retirement. ■

ALLKids Extends the Enrollment Deadline to December 31, 2011!

Good news regarding the ALLKids program! ALLKids is extending the deadline to December 31, 2011, to allow PEEHIP members to enroll their eligible dependents without having a 3 month waiting period. Therefore, our members can continue to enroll their eligible children who are under the age of 19, from PEEHIP to ALLKids and not have a break in coverage. These changes can be made outside of the PEEHIP Open Enrollment period.

Over 2,400 children have moved from PEEHIP to ALLKids since April 2011 when the program started allowing dependent children of public employees to participate. For details about enrolling, please see the April 2011 PEEHIP Advisor, or visit the ALLKids Web site at www.adph.org/allkids, or call ALLKids toll free at 888.373.KIDS (5437). Don't miss this new deadline! Submit your enrollment application to ALLKids before it's too late!

Why Can't I Get a 90-day Supply of My Maintenance Medication?

The PEEHIP maintenance drug benefit is only applicable to a set list of maintenance medications already established by PEEHIP. Currently, there are over 600 medications on the PEEHIP Maintenance Drug List. PEEHIP recently added six more drugs to the list effective October 1, 2011. If your medication is on this list, you can get a 90-day supply for two applicable copayments after the first fill, which is limited to a 30-day supply. If your medication is not on the list, you can obtain a 30-day supply with each fill but not a 90 day supply. This is true even if your medication was prescribed by your doctor to be taken on a continuous basis to manage a chronic or long-term condition and your prescription was written for a 90-day supply. Due to the high cost of claims and coverage, PEEHIP is not in a financial position to add new or additional drugs to the PEEHIP maintenance drug benefit at this time.

The intent of PEEHIP's Maintenance Drug List is to provide members with the opportunity to receive a 90-day supply of PEEHIP's set list of maintenance medications at a discounted price. While we recognize that there are numerous drugs that are prescribed for long-term conditions that are not listed on the Maintenance Drug List, the abbreviated list allows PEEHIP the opportunity to provide members with the benefit of paying only two copayments instead of three for a 90-day supply. In order for the PEEHIP plan to continue to provide excellent benefits at a reasonable cost, the plan must be actively managed for costs to be contained. Therefore, the PEEHIP Board has decided to maintain the current list of maintenance medications but not further expand the list at this time.

If the PEEHIP Board decides to make changes to the maintenance list at a later time, notification will be made to PEEHIP members via the *PEEHIP Advisor*. Please be assured that all decisions made by PEEHIP are designed to provide the best possible benefits to all members and to ensure the financial sustainability of the plan. ■

DEVA Update: Will Your Account Be Cancelled?

If you have not yet submitted the required documentation to Secova to verify the eligibility of your dependents' enrolled in PEEHIP coverage, **your account has been placed on claim hold since August 22, 2011.** You should have completed your audit by now as previous deadlines have been extended on several occasions. PEEHIP has allowed members more than sufficient time to retrieve and submit the required eligibility documents to Secova in order to verify complete the audit. **Those members who are still in an "incomplete" or "non-response" status with Secova will have their account cancelled in the near future and will not be able to re-enroll their dependents until the next open enrollment period.** These members represent less than five percent of the PEEHIP membership. If you do not want your account cancelled, you must submit the appropriate documents to Secova to verify the eligibility of your dependents as soon as possible and complete your audit. Please fax your eligibility documents to Secova toll-free at 1-866-763-3472 or upload online at <https://deva.secova.com/PEEHIP>. If you have questions, please call Secova toll-free at 1-877-616-6345. Hurry and verify complete your audit as soon as possible!

It's Time for Scale Back Alabama 2012!

Scale Back Alabama, now in its sixth year, is a free, confidential, statewide campaign for adults age 18 and older held each year to encourage Alabamians to get healthier by losing weight and becoming active.

The Scale Back Alabama School program is an additional component of Scale Back Alabama. The Scale Back Alabama School program gives school personnel the opportunity to be healthy role models for their students by participating as a **Scale Back Alabama School**.

Important Scale Back Alabama 2012 Dates

January 19, 2012

Statewide Contest Kickoff

January 21 - 27, 2012

Team Registration/Weigh-in Week

April 7 - 13, 2012

Participant weigh-out week

April 30, 2012

Ending date and announcement of winners and prizes

Becoming a Scale Back Alabama School is easy.

To be eligible, schools with five or more teams of four individuals participating in Scale Back Alabama can sign up to become a Scale Back Alabama School. Students are not allowed to participate and weight loss for students is not being encouraged.

Go to www.scalebackalabama.com to learn how to participate in Scale Back Alabama. Next, fill out the Scale Back Alabama School registration form which can also be found on the web site. Send the school registration form to Molly Killman at molly.killman@adph.state.al.us or by fax at 334.206.5173.

As a Scale Back Alabama School, schools receive special recognition and are entered into a school drawing for prizes that promote good nutrition and physical activity habits for the students.

It's a win-win situation as school personnel work to achieve a healthier lifestyle while their students cheer them on and learn the importance of healthy habits. The schools will be entered into a special drawing to win Scale Back Alabama School prizes and team members losing weight will also be entered into the normal Scale Back Alabama drawing for prizes.

Get registered and get started on a healthier lifestyle of losing weight, exercising more and having fun while doing it!

Scale Back Alabama is a joint project of the Alabama Department of Public Health and the Alabama Hospital Association with generous underwriting from Blue Cross Blue Shield of Alabama. For more information, please contact Molly Killman at molly.killman@adph.state.al.us or 334.206.5646. ■