

Total Cost Formula



Total Cost for an Individual Medicare Retiree

As shown above, the total cost for a Medicare Retiree is made up of two components that total **\$260** for beginning January 2025.

2025

Sliding Scale Discount Example

For retirement date January 1, 2012, or after

The sliding scale discounts the retiree premium 2% per year that a retiree worked in excess of 25 years. **The discount is a percentage of the state (PEEHIP) subsidy.**

- For example, a retiree who has 28 years of service (3 more than 25) would have a 6% discount ($2\% \times 3 \text{ years} = 6\% \text{ discount}$).
- This means PEEHIP pays 6% more as an adjusted state subsidy for the retiree's coverage.
- The percent discount is a percent of the state subsidy, so in this example, $6\% \times \$235 = \14.10 .

\$260
(2025 Total cost for a
Medicare Retiree)

=

Adjusted State Subsidy

\$235 (PEEHIP subsidy) + \$14.10 (discount) = **\$249.10**

+

Adjusted Member Premium

\$25 (Retiree premium) - \$14.10 (discount) = **\$10.90**

Sliding Scale Penalty Example

For retirement date January 1, 2012, or after

The sliding scale increases the retiree premium 4% per year that a retiree worked less than 25 years.

The penalty is a percentage of the state (PEEHIP) subsidy.

- For example, a retiree who has 22 years of service (3 less than 25) would have a 12% penalty (4% x 3 years = 12% penalty).
- This means PEEHIP pays 12% less as an adjusted state subsidy for the retiree's coverage.
- The percent penalty is a percent of the state subsidy, so in this example, 12% x \$235 = \$28.20.

\$260
(2025 Total cost for a
Medicare Retiree)

=

Adjusted State Subsidy

\$235 (PEEHIP subsidy) - \$28.20 (penalty) = **\$206.80**

+

Adjusted Member Premium

\$25 (Retiree premium) + \$28.20 (penalty) = **\$53.20**

State Subsidy Reduction for Medicare-Eligible Retirees for the Year Beginning January 1, 2025

From 2024 to 2025, the state's subsidy increased from **\$40** to **\$235** per month for a Medicare-eligible individual premium due to reductions in expected Medicare Advantage funding and increased drug cost from the Inflation Reduction Act. Click [here](#) for more information.

- If a Medicare-eligible member worked **less** than 300 months, the effect upon their premium will be an **increase** in premium.
- If a Medicare-eligible member worked **more** than 300 months, the effect upon their premium will be a **decrease** in premium.

Sliding Scale Discount Fluctuation Example

from 2024 to 2025

For retirement date January 1, 2012, or after

Last year, as explained on the previous slide, the Medicare retiree state subsidy was **\$40** rather than the current amount of **\$235**.

- Therefore, because the percent discount is a percentage of the state subsidy, the discount was \$2.40 (6% x \$40) in 2024, rather than \$14.10 as it is in 2025.
- Note how the discount was lower last year than this year, because even though the discount percentage remained the same, the PEEHIP subsidy increased in 2025.

	2024	2025
Subsidy	\$40.00	\$235.00
Percentage	6%	6%
Discount	\$2.40	\$14.10
Base Premium	\$25.00	\$25.00
Adjusted Premium	\$22.60	\$10.90

As illustrated above, this retiree's premium decreased from 2024 to 2025, not because their percent discount changed, but because the PEEHIP subsidy increased from one year to the next.

Sliding Scale Penalty Fluctuation Example

from 2024 to 2025

For retirement date January 1, 2012, or after

Last year, as explained on the previous slide, the Medicare retiree state subsidy was **\$40** rather than the current amount of **\$235**.

- Therefore, because the percent penalty is a percentage of the state subsidy, the penalty was \$4.80 (12% x \$40) in 2024, rather than \$28.20 as it is in 2025.
- Note how the penalty was lower last year than this year, because even though the discount percentage remained the same, the PEEHIP subsidy increased in 2025.

	2024	2025
Subsidy	\$40.00	\$235.00
Percentage	12%	12%
Penalty	\$4.80	\$28.20
Base Premium	\$25.00	\$25.00
Adjusted Premium	\$29.80	\$53.20

As illustrated above, this retiree's premium increased from 2024 to 2025, not because their percent penalty changed, but because the PEEHIP subsidy increased from one year to the next.

Retiree Classifications and their premium adjustments per the sliding scale law

PEEHIP retiree contracts consists of three broad premium calculation methods which are a result of the statute:

1. Retirees retiring prior to October 1, 2005, pay their base premium with no sliding scale adjustment.
2. Retirees retiring October 1, 2005, through December 31, 2011, pay the basic premium adjusted (either a discount or penalty) by 2% of the state's subsidy (for individual coverage) for months more than or less than 300 months (or 25 years) of service.
3. Retirees retiring January 1, 2012, and after pay the basic premium adjusted by:
 - a) **Service Premium Component:**
 - i. Penalty: 4% of the state's subsidy for months less than 300 months of service
 - ii. Discount: 2% of the state's subsidy for months more than 300 months of service