



MEMORANDUM

TO: Tom Cross

FROM: Malcolm Weems

DATE: May 9, 2012

SUBJECT: SB1313 – Retiree Healthcare Proposal

Senate Bill 1313 allows the Director of CMS to set the premiums that are paid by retirees in the Group Health Insurance Program every year in order to ensure we will be able to continue providing quality health care for our retired employees.

Currently, retiree healthcare costs the state \$800 million to provide. However, retirees themselves pay only 3% of costs in premiums towards that healthcare. Most retirees - 90% - pay nothing towards this cost, and this includes many retirees under the age of 65, who may still be working in other jobs. This is an unsustainable level of subsidy by the state, and retirees need to begin sharing in the cost of their care.

The proposed retiree contributions will pay a percentage of their healthcare costs on a sliding scale. The scale is based on (1) length of service plus age at retirement, and (2) ability to pay.

The percent of cost the retiree will pay will also be based on his or her pension income. Incomes will be divided into seven tiers; the higher the tier, the more the retiree will pay.

Retirees who are eligible for Medicare (generally 65 years old and above) cost the state substantially less than those who are not on Medicare. Since the contributions will be based on paying a percentage of the cost of care for the state, those retirees on Medicare will pay significantly less than those (generally younger and still working) who are not.

Those who have already retired when this plan goes into effect will pay based on their pension income but will be placed at the highest point on the sliding scale that considers length of service and age at retirement. However, regardless of the contribution amount determined under these guidelines, the new plan contribution will not be less for any retiree than the amount they contribute under the current policy.