



# Health WATCH

Issue 2 / Vol. 15 / MARCH/APRIL 2007

STATE EMPLOYEES' INSURANCE BOARD

## Staff Administration

Executive Director .....William Ashmore  
Deputy Administrator.....Gary Matthews  
Legal Counsel .....Jim Bradford  
Chief Fiscal Officer.....John E. Parks, Jr.  
Clinical Director ....Deborah T. Unger, RN  
Editor .....Susan Sheppard

## Operations

State Program Director ....Janice Foreman  
State Retirees .....Darlene Williams  
State COBRA .....Marie Bettis  
Flex Program Manager ....Wynnette Smith  
Communications Division ....Connie Boothe  
Tonya Campbell

## Program Representatives

Blue Cross .....Ellen McBee  
Shirley Simmons

## State Employees' Insurance Board

500 RSA Tower / 201 Monroe Street  
Montgomery, AL 36130-4900  
334.833.5900  
1.800.513.1384  
Fax: 334.240.3257

[www.alseib.org](http://www.alseib.org)

**"A hundred times every day  
I remind myself that my inner  
and outer life are based on  
the labors of other men,  
living and dead, and that  
I must exert myself in order  
to give in the same measure  
as I have received and  
am still receiving."**

—Albert Einstein

State workers to get one-month  
**HOLIDAY**  
from  
**HEALTH PREMIUMS**

Thursday, February 15, 2007

**DAVID WHITE**

*Birmingham News staff writer*

MONTGOMERY—About 25,000 active and retired employees of state agencies, or their surviving spouses, will save a total of \$4.67 million because they'll be able to skip one month's payment in health insurance premiums.

The State Employees' Insurance Board voted unanimously Wednesday to approve the one-month premium credit, which likely will take place in April. The savings will amount to:

- ★ **\$180** for an active state employee with family coverage.
- ★ **\$332** for a retiree younger than 65 with family coverage.
- ★ **\$152** for a retiree younger than 65 with single coverage.
- ★ **\$121** for a retiree 65 or older with family coverage.

The one month's premium credit, or holiday, won't apply to the \$22-a-month tobacco surcharge.

Board members approved the premium credit after the insurance board's executive director, William Ashmore, told them the cost of providing health insurance grew by just 2.87 percent in the 2006 budget year, which ended Sept. 30,

from a year earlier. The board had expected costs to rise 10 percent.

The Board voted in August to raise premiums by a total of \$5.3 million a year for many employees and retirees effective Oct. 1, based on the forecast of a 10 percent growth in costs.

The one-month premium credit in effect will give back about 88 percent of the increase in premiums expected for the current budget year, which started Oct. 1.

Your premium may vary, based on the sliding scale premium structure. 

*Reprinted with permission.*



# Legislative INSURANCE REFORMS

## Reap \$5 Million in Dividends

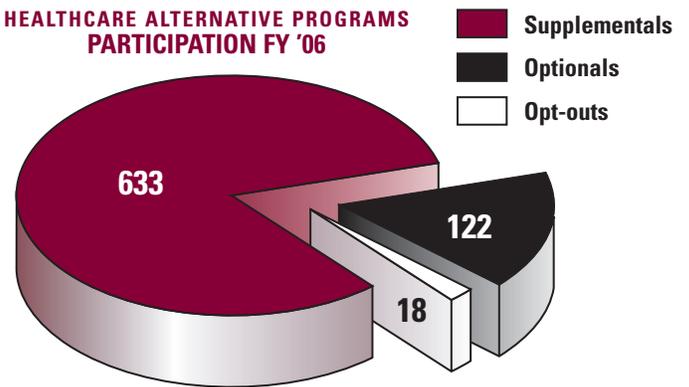
In November of 2004, the Alabama Legislature enacted a series of reforms designed to provide cost savings to both the State and State employees for health insurance coverage. The SEIB implemented these reforms effective October 1, 2005. These reforms included offering alternatives to the traditional healthcare plan such as coverage supplemental to other employer coverage, optional coverage in lieu of the traditional plan and the option to decline coverage entirely.

Other reforms included a new surcharge levied on tobacco users, a sliding scale premium for retirees (based on years of service), and automatic enrollment in the Premium Conversion Plan which saves the State and the employee by using pre-tax money for health insurance premiums. Also included in these reforms was assistance for lower income State employees and their dependents to provide lower cost premiums.

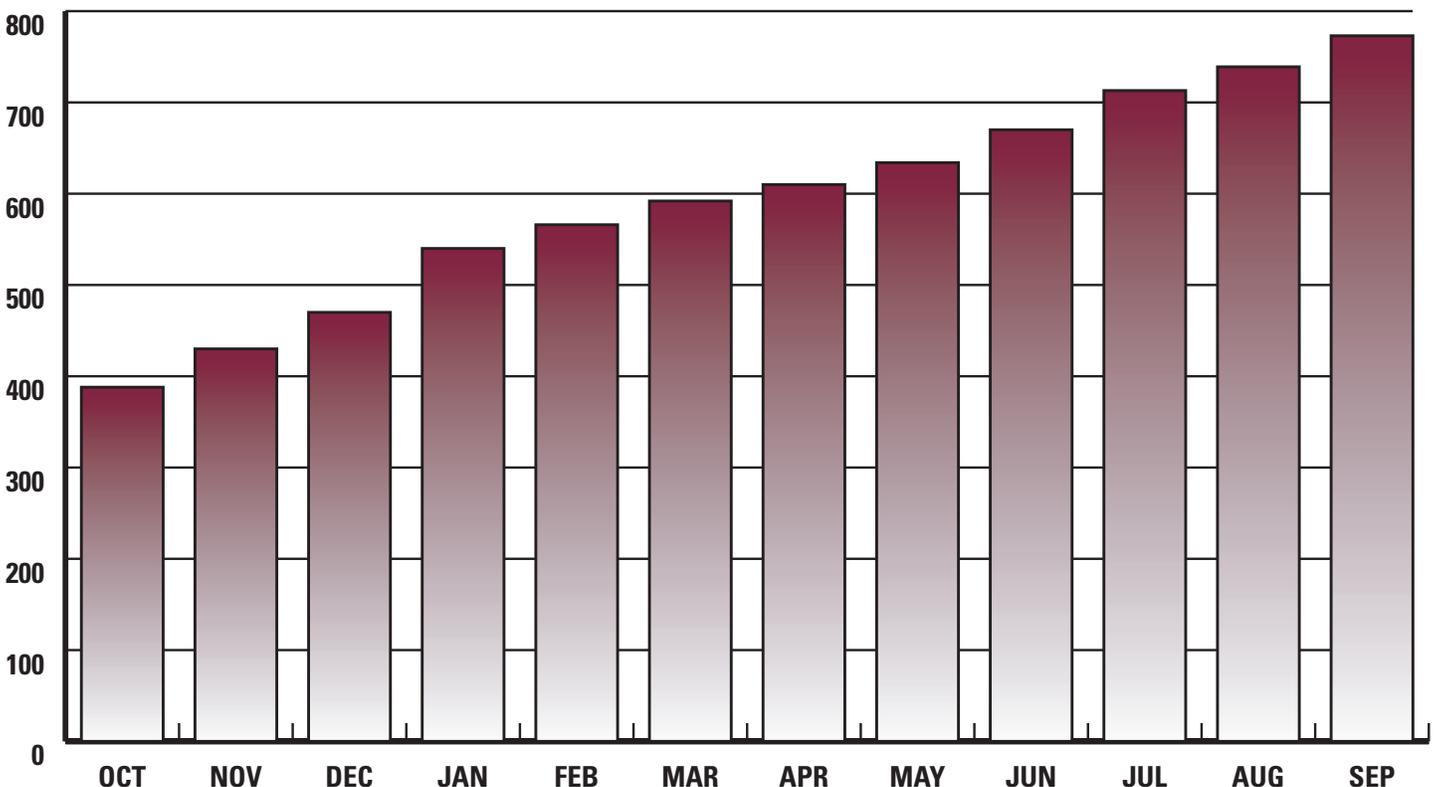
### Healthcare Alternative Programs

As of September 30, 2006, a total of 773 employees and retirees had elected to coordinate other coverages (for example: through another employer group) with the alternative programs offered by the SEIB. After obtaining supplemental or optional coverage through the SEIB they found that virtually all of their out-of-pocket expenses were paid.

HEALTHCARE ALTERNATIVE PROGRAMS PARTICIPATION FY '06



HEALTHCARE ALTERNATIVE PROGRAMS ENROLLMENT FY '06



## Tobacco Users Surcharge

As of September 30, 2006, 11,178 active and retired State employees were paying the tobacco surcharge which was enacted to offset the costs of treating illness relating to tobacco usage. The SEIB provides counseling and treatment for tobacco use cessation.

## Federal Poverty Level Assistance/State Employees' Children's Health Insurance Plan (FPL/SECHIP)

The FPL/SECHIP was created as directed by the Legislature to provide quality coverage for lower paid active and retired State employees and their dependents. This program helps offset the expense of premiums. On September 30, 2006, there were 323 active and retired State employees enrolled in FPL and 509 children in SECHIP.

## Premium Conversion Plan (PCP)

Substantially all State employees are enrolled in the PCP. The 2004 Legislative reforms required that all health insurance premiums paid by active State employees would be made with pre-tax dollars unless the employee opted out of the plan. This plan reduces the State's FICA matching contribution on employee wages used to pay health insurance premiums. It also saves the employee money by exempting wages used to pay health insurance

premiums from FICA, state and federal income taxes. Savings from the plan are shown in the chart below.

## Retiree Sliding Scale Premium

The 2004 Legislative reforms require that employees retiring after October 1, 2005 are subject to a sliding scale premium based on years on service. For employees retiring with 25 years of service, the State would pay 100% of the State share premium. Each year less than 25, the State share would be reduced by 2% and the retiree share will be increased accordingly. Each year over 25, the State share would be increased by 2% and the retiree share reduced accordingly. NOTE: this 2% applies to the State share only.

The Retiree Sliding Scale Premium program was implemented to encourage employees to work longer before retiring, thereby reducing the cost of retiree health insurance and reducing the future obligation of the State for providing this coverage. New accounting standards require the disclosure of the liability for future retiree health coverage. This program, in conjunction with the DROP program, offered by the Retirement Systems, is designed to encourage employees to postpone retirement. The State benefits by maintaining an experienced knowledgeable work force and the employee gains additional benefits in the form of increased income and lowered premium costs in retirement.

If you are planning your retirement, remember that the SEIB provides a calculator on our website to help you estimate your future premiums.

# Legislature Approves Trust Funds for Retiree Health Care

During the recent Special Session of the Alabama Legislature, a new law was enacted to create irrevocable trust funds for the purpose of funding future state and education retiree health care costs. The need for these trusts was brought about by changes in the Governmental Accounting Standards Board (GASB) standards. Each state is now required to report the unfunded liabilities they face for future retiree health insurance benefits.

The Bond Rating Agencies are looking at how states plan to meet these obligations. This is important because the state's bond rating impacts the interest rates the state pays on borrowed money.

The Governor and the Legislature have been in forefront on this issue and with the creation of the Retiree Health Care Trusts, Alabama has become one of the first states to enact a comprehensive plan to address its obligation. The state can now begin to set aside money to offset its future retiree liabilities. As a result the state protects its commitment to retirees and its favorable bond ratings.

On June 5, 2007, the people of the state will have the opportunity vote on a constitutional amendment that will provide added protection to the irrevocable nature of the trusts. The SEIB urges you to support this amendment.

**Total Savings (Costs) from 2004 Special Session of Legislature  
FY 2005-06**

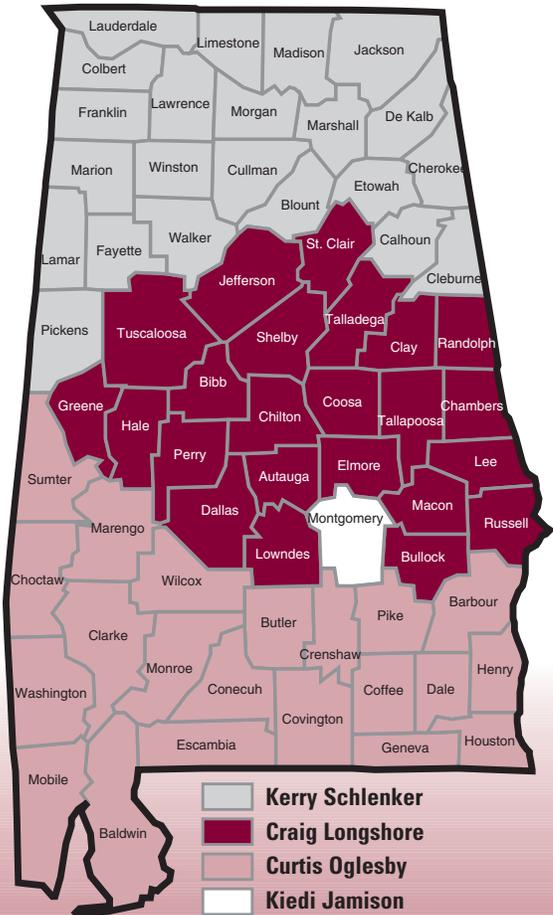
Change	Savings (Costs)
Employees who opt not to have coverage	\$ 112,405
Supplemental coverage for employees and retirees eligible for other coverage	\$ 2,513,144
Surcharge for tobacco usage	\$ 2,695,500
Federal Poverty Level assistance (FPL)	\$(313,384)
State Employees' Children's Health Insurance Program (SECHIP)	\$(180,601)
Pre-tax employee contributions (PCP)	\$ 347,899
Retiree contributions based on years of service	\$(174,777)
<b>Estimated Total Savings (Costs)</b>	<b>\$ 5,000,186</b>

STATE EMPLOYEES'  
INSURANCE BOARD  
500 RSA Tower 201 Monroe Street  
P O Box 304900  
Montgomery AL 36130-4900

PRSR STD  
U.S. Postage  
**PAID**  
Montgomery, AL  
Permit No. 109

# Field Benefit Advisors *At Your Service*

**D**on't forget to call our health insurance benefit advisors, located conveniently throughout the state, for all your enrollment, benefits, and options questions. Listed here are the agents, their territories and several ways to contact them. **You should notify the agent assigned to your county of employment.**



**KERRY SCHLENKER**  
kschlenker@alseib.org  
Direct: 334.398.0362  
Toll-free: 1.866.750.3987

**CURTIS OGLESBY**  
coglesby@alseib.org  
Direct: 334.398.0627  
Toll-free: 1.866.750.3989

**CRAIG LONGSHORE**  
clongshore@alseib.org  
Direct: 334.398.0282  
Toll-free: 1.866.750.3990

**KIEDI JAMISON**  
kjamison@alseib.org  
Direct: 334.398.0923  
Toll-free: 1.866.750.3988

NOTE: All health care **claims** inquiries must be directed to Blue Cross Blue Shield.

Visit us online at:  
**www.alseib.org**