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ARTICLE 2 AS AMENDED

RELATING TO MEDICARE EXCHANGE PROGRAM FOR MEDICARE ELIGIBLE
RETIREEES

SECTION 1. Sections 36-12-1 and 36-12-4 of the General Laws in Chapter 36-12 entitled "Insurance Benefits" are hereby amended to read as follows:

36-12-1. Definitions. -- The following words, as used in sections 36-12-1 -- 36-12-14, shall have the following meanings:

(1) "Employer", means the state of Rhode Island.

(2) "Employee", means all persons who are classified employees as the term "classified employee" is defined under section 36-3-3, and all persons in the unclassified and non-classified service of the state; provided, however, that the following shall not be included as "employees" under sections 36-12-1 -- 36-12-14:

(i) Part-time personnel whose work week is less than twenty (20) hours a week and limited period and seasonal personnel;

(ii) Members of the general assembly, its clerks, doorkeepers, and pages.

(3) "Dependents" means an employee's spouse, domestic partner and unmarried children under nineteen (19) years of age. Domestic partners shall certify by affidavit to the benefits director of the division of personnel that the (i) partners are at least eighteen (18) years of age and are mentally competent to contract, (ii) partners are not married to anyone, (iii) partners are not related by blood to a degree which would prohibit marriage in the state of Rhode Island, (iv) partners reside together and have resided together for at least one year, (v) partners are financially interdependent as evidenced by at least two (2) of the following: (A) domestic partnership agreement or relationship contract; (B) joint mortgage or joint ownership of primary residence, (C) two (2) of: (I) joint ownership of motor vehicle; (II) joint checking account; (III) joint credit account; (IV) joint lease; and/or (D) the domestic partner has been designated as a beneficiary for the employee's will, retirement contract or life insurance. Misrepresentation of information in the affidavit will result in an obligation to repay the benefits received, and a civil fine not to exceed one thousand dollars (\$1000) enforceable by the attorney general and payable to the general fund. The employee will notify the benefits director of the division of personnel by completion of a form prescribed by the benefits director when the domestic partnership ends.

(4) "Retired employee", means all persons retired from the active service of the state,

1 who, immediately prior to retirement, were employees of the state as determined by the
2 retirement board under section 36-8-1, and also all retired teachers who have elected to come
3 under the employees' retirement system of the state of Rhode Island.

4 (5) "State retiree", means all persons retired from the active service of the state who,
5 immediately prior to retirement, were employees of the state as determined by the retirement
6 board under section 36-8-1.

7 (6) "Teacher retiree", means all retired teachers who have elected to come under the
8 employees' retirement system of the state of Rhode Island.

9 ~~(5)~~(7) "Long-term health care insurance", means any insurance policy or rider
10 advertised, marketed, offered, or designed to provide coverage for not less than twelve (12)
11 consecutive months for each covered person on an expense incurred, indemnity, prepaid, or other
12 basis for one or more necessary or medically necessary diagnostic, preventive, therapeutic,
13 rehabilitative, maintenance, or personal care services, provided in a setting other than an acute
14 care unit of a hospital. The term includes: group and individual policies or riders whether issued
15 by insurers, fraternal benefit societies, nonprofit health, hospital, and medical service
16 corporations; prepaid health plans, health maintenance organizations; or any similar organization.
17 Long-term health care insurance shall not include: any insurance policy which is offered
18 primarily to provide basic medicare supplement coverage; basic hospital expense coverage; basic
19 medical-surgical expense coverage; hospital confinement indemnity coverage; major medical
20 expense coverage; disability income protection coverage; accident only coverage; specified
21 disease or specified accident coverage; or limited benefit health coverage. This list of excluded
22 coverages is illustrative and is not intended to be all inclusive.

23 ~~(6)~~(8) "Non-Medicare-eligible retiree "Retiree health care insurance", means the health
24 benefit employees who retire from active service of the state (subsequent to July 1, 1989), who
25 immediately prior to retirement were employees of the state as determined by the retirement
26 board pursuant to section 36-8-1, shall be entitled to receive; until attaining Medicare eligibility.
27 ~~which~~ This health care insurance shall be equal to semi-private hospital care, surgical/medical
28 care and major medical with a one hundred seventy-five dollar (\$175) calendar year deductible.
29 ~~Employees who retire prior to age sixty five (65) shall, upon the attainment of Medicare~~
30 ~~eligibility, receive hospital care, surgical/medical services, rights and benefits which, when taken~~
31 ~~together with their federal Medicare program benefits (public law 89-97), 42 U.S.C. section 1305~~
32 ~~et seq., shall be comparable to those provided for retirees prior to that age.~~ The aforementioned
33 program will be provided on a shared basis in accordance with section 36-12-4.

34 (9) "Medicare-eligible retiree health care insurance", means the health benefit employees

1 who retire from active service of the state (subsequent to July 1, 1989), who immediately prior to
2 retirement were employees of the state as determined by the retirement board pursuant to section
3 36-8-1, shall have access to when eligible for Medicare. This health care insurance shall include
4 plans providing hospital care, surgical/medical services, rights and benefits which, when taken
5 together with their federal Medicare program benefits, 42 U.S.C. section 1305 et seq., shall be
6 comparable to those provided for retirees prior to the attainment of Medicare eligibility.

7 (10) "Health reimbursement arrangement", or "HRA" means an account that:

8 (i) Is paid for and funded solely by state contributions;

9 (ii) Reimburses a Medicare-eligible state retiree for medical care expenses as defined in
10 section 213(d) of the Internal Revenue Code of 1986, as amended, which includes
11 reimbursements for health care insurance premiums;

12 (iii) Provides reimbursements up to a maximum dollar amount for a coverage period; and

13 (iv) Provides that any unused portion of the maximum dollar amount at the end of a
14 coverage period is carried forward to increase the maximum reimbursement amount in
15 subsequent coverage periods.

16 **36-12-4. Coverage of retired employees Coverage of Non-Medicare-eligible retired**
17 **employees. --** (a) Non-Medicare-eligible retired Retired employees who retire retired on or before
18 September 30, 2008. - Any retired employee who retired on or before September 30, 2008 shall
19 be entitled, until attaining Medicare eligibility, to be covered under sections 36-12-1 -- 36-12-5
20 for himself and herself and, if he or she so desires, his or her non-Medicare-eligible dependents,
21 upon agreeing to pay the total cost of his or her contract at the group rate for active state
22 employees. Payments of any non-Medicare-eligible retired employee for coverage shall be
23 deducted from his or her retirement allowance and remitted from time to time in payment for such
24 contract. In addition, any retired employee who retired on or before September 30, 2008 shall be
25 permitted to purchase coverage for his or her non-Medicare-eligible dependents upon agreeing to
26 pay the additional cost of the contract at the group rate for active state employees. Payment for
27 coverage for these dependents shall be deducted from his or her retirement allowances and
28 remitted as required in payment for the contract.

29 (b) Non-Medicare-eligible State-state employees retirees who retire retired subsequent to
30 July 1, 1989, and on or before September 30, 2008. Non-Medicare-eligible state retirees State
31 employees who retire retired subsequent to July 1, 1989, and on or before September 30, 2008,
32 from active service of the state, and who were employees of the state as determined by the
33 retirement board under section 36-8-1, shall be entitled to receive for himself or herself non-
34 Medicare-eligible a retiree health care insurance benefit as described in section 36-12-1 in

1 accordance with the following formula:

2	Years of	Age	State's	Employee's
3	<u>Service</u>	<u>at Retirement</u>	<u>Share</u>	<u>Share</u>
4	10-15	60	50%	50%
5	16-22	60	70%	30%
6	23-27	60	80%	20%
7	28+	--	90%	10%
8	28+	60	100%	0%
9	35+		any	100% 0%

10 If the retired employee is receiving a subsidy on September 30, 2008, the state will
11 continue to pay the same subsidy share until the retiree attains age sixty-five (65).

12 Until December 31, 2013, when ~~When~~ the state retiree reaches that age which will
13 qualify him or her for Medicare supplement, the formula shall be:

14	Years of Service	State's Contribution	Employees' Share
15	10 – 15	50%	50%
16	16 – 19	70%	30%
17	20 – 27	90%	10%
18	28+	100%	0%

19 (c) Non-Medicare-eligible retired ~~Retired~~ employees who retire on or after October 1,
20 2008. Any retired employee who retires on or after October 1, 2008 shall be entitled, until
21 attaining Medicare eligibility, to be covered under sections 36-12-1 – 36-12-5 for himself and
22 herself and, if he or she so desires, his or her non-Medicare-eligible dependents, upon agreeing to
23 pay the total cost of the contract in the plan in which he or she enrolls. Payments of any non-
24 Medicare-eligible retired employee for coverage shall be deducted from his or her retirement
25 allowance and remitted from time to time in payment for such contract. Any retired employee
26 who retires on or after October 1, 2008, shall be permitted to purchase coverage for his or her
27 non-Medicare-eligible dependents upon agreeing to pay the additional cost of the contract at the
28 group rate for the plan in which the dependent is enrolled. Payment for coverage for these
29 dependents shall be deducted from the retired employee's retirement allowances and remitted as
30 required in payment for the contract. The Director of Administration shall develop and present to
31 the chairpersons of the House Finance Committee and the Senate Finance Committee by May 23,
32 2008 a retiree health plan option or options to be offered to retirees eligible for state-sponsored
33 medical coverage who are under age sixty-five (65) or are not eligible for Medicare. This plan
34 will have a reduced benefit level and will have an actuarially based premium cost not greater than

1 the premium cost of the plan offered to the active state employee population. This new plan
2 option will be available to employees retiring after September 30, 2008, and their non-Medicare-
3 eligible dependents.

4 (d) Non-Medicare-eligible State-state employees retirees who retire on or after October 1,
5 2008. ~~Employees-Non-Medicare-eligible state retirees~~ who retire on or after October 1, 2008
6 from active service of the state, and who were employees of the state as determined by the
7 retirement board under section 36-8-1, and who have a minimum of twenty (20) years of service,
8 and who are a minimum of fifty-nine (59) years of age, shall be entitled to receive for himself or
9 herself a non-Medicare-eligible retiree health care insurance benefit as described in section 36-
10 12-1. The ~~State state~~ will subsidize 80% of the cost of the health insurance plan for individual
11 coverage in which the ~~retired~~ state ~~employee~~ retiree is enrolled in. Payments ~~of any retired~~
12 ~~employee~~ for coverage shall be deducted from his or her retirement allowance and remitted from
13 time to time in payment for such contract.

14 (e) Medicare-eligible state retirees who retire on or after October 1, 2008. Until
15 December 31, 2013, the state shall subsidize eighty percent (80%) of the cost of the Medicare-
16 eligible health insurance plan for individual coverage in which the state retiree is enrolled,
17 provided the employee retired on or after October 1, 2008; has a minimum of twenty (20) years of
18 service; and is a minimum of fifty-nine (59) years of age. Payments for coverage shall be
19 deducted from his or her retirement allowance and remitted from time to time in payment for such
20 health insurance plan.

21 ~~(e)~~(f) Retired employees, including retired teachers, who are non-Medicare-eligible and
22 who reach the age of sixty-five (65) shall be allowed to continue to purchase group health care
23 insurance benefits in the same manner as those provided to retired employees who have not
24 reached the age of sixty-five (65).

25 SECTION 2. Chapter 36-12 of the General Laws entitled "Insurance Benefits" is hereby
26 amended by adding thereto the following section:

27 **36-12-4.1. Coverage of Medicare-eligible retired employees. -- (a) The director of the**
28 **department of administration shall ensure retired employees access to Medicare-eligible retiree**
29 **health care insurance. Under this program, the state will establish a health reimbursement account**
30 **(HRA) funded by state contributions for each Medicare-eligible state retiree who elects to receive**
31 **health care insurance through the state-sponsored program.**

32 **(b) The funds contained in the HRA may be utilized for any eligible medical care**
33 **expenses as defined in section 213(d) of the Internal Revenue Code of 1986, as amended, which**
34 **includes reimbursements for health care insurance premiums.**

1 (c) The director of the department of administration shall procure services to maximize
2 consumer choice and options with respect to the individual policies available to Medicare-eligible
3 retirees.

4 (d) The maximum state contribution to each Medicare-eligible state retiree's HRA
5 account will be equal to the lowest-cost Medicare supplemental plan that is filed with the Office
6 of the Health Insurance Commissioner of Rhode Island, that is available through the state-
7 sponsored program, and that meets the provisions of the Medicare-eligible retiree health care
8 insurance benefit defined in section 36-12-1(9). The maximum state contribution will vary by age
9 as specified by the rates set forth in the Medicare supplemental plan filing.

10 (e) For Medicare-eligible state retirees who retired before September 30, 2008, effective
11 January 1, 2014, the state of Rhode Island will credit an amount to each retiree's HRA account on
12 a monthly basis. The amount of such credit shall be calculated based on the retiree's years of
13 service, as a percentage of the maximum state contribution set forth in (d) above, and in
14 accordance with the following formula:

<u>Years of Service</u>	<u>State's Contribution</u>	<u>Employees Share</u>
<u>10 – 15</u>	<u>50%</u>	<u>50%</u>
<u>16 – 19</u>	<u>70%</u>	<u>30%</u>
<u>20 – 27</u>	<u>90%</u>	<u>10%</u>
<u>28+</u>	<u>100%</u>	<u>0%</u>

20 (f) For Medicare-eligible state retirees who retire on or after October 1, 2008, effective
21 January 1, 2014, the state of Rhode Island will credit monthly an amount to each retiree's HRA
22 account equal to 80% of the maximum state contribution set forth in (d) above, provided the
23 retiree has a minimum of twenty (20) years of service and is at least fifty-nine (59) years of age.

24 (g) Medicare-eligible teacher retirees may purchase the individual policies available to
25 Medicare-eligible state retirees under the state-sponsored program.

26 SECTION 3. This article shall take effect as of July 1, 2013.

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