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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2015

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A N A C T

RELATING TO INSURANCE -- MEDICARE EXCHANGE PROGRAM FOR MEDICARE-
ELIGIBLE RETIREES

Introduced By: Senators Ciccone, Lombardi, Archambault, DiPalma, and DaPonte

Date Introduced: February 25, 2015

Referred To: Senate Finance

It is enacted by the General Assembly as follows:

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

3 **36-12-1. Definitions.** -- The following words, as used in §§ 36-12-1 -- 36-12-14, shall
4 have the following meanings:

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

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

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

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

13 (3) "Dependents" means an employee's spouse, domestic partner and unmarried children
14 under nineteen (19) years of age. Domestic partners shall certify by affidavit to the benefits
15 director of the division of personnel that the (i) partners are at least eighteen (18) years of age and
16 are mentally competent to contract, (ii) partners are not married to anyone, (iii) partners are not
17 related by blood to a degree which would prohibit marriage in the state of Rhode Island, (iv)
18 partners reside together and have resided together for at least one year, (v) partners are financially

1 interdependent as evidenced by at least two (2) of the following: (A) domestic partnership
2 agreement or relationship contract; (B) joint mortgage or joint ownership of primary residence,
3 (C) two (2) of: (I) joint ownership of motor vehicle; (II) joint checking account; (III) joint credit
4 account; (IV) joint lease; and/or (D) the domestic partner has been designated as a beneficiary for
5 the employee's will, retirement contract or life insurance. Misrepresentation of information in the
6 affidavit will result in an obligation to repay the benefits received, and a civil fine not to exceed
7 one thousand dollars (\$1000) enforceable by the attorney general and payable to the general fund.
8 The employee will notify the benefits director of the division of personnel by completion of a
9 form prescribed by the benefits director when the domestic partnership ends.

10 (4) "Retired employee", means all persons retired from the active service of the state,
11 who, immediately prior to retirement, were employees of the state as determined by the
12 retirement board under § 36-8-1, and also all retired teachers who have elected to come under the
13 employees' retirement system of the state of Rhode Island.

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

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

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

33 ~~(8)~~(6) "Non-Medicare-eligible retiree Retiree health care insurance", means the health
34 benefit employees who retire from active service of the state (subsequent to July 1, 1989), who

1 immediately prior to retirement were employees of the state as determined by the retirement
2 board pursuant to § 36-8-1, shall be entitled to receive ~~until attaining Medicare eligibility. This~~
3 ~~health care insurance, which~~ shall be equal to semi-private hospital care, surgical/medical care and
4 major medical with a one hundred seventy-five dollar (\$175) calendar year deductible.
5 Employees who retire prior to age sixty-five (65) shall, upon the attainment of Medicare
6 eligibility, receive hospital care, surgical/medical services, rights and benefits which, when taken
7 together with their federal Medicare program benefits (Pub. L. 89-97), 42 U.S.C. § 1305 et seq.,
8 shall be comparable to those provided for retirees prior to that age. The aforementioned program
9 will be provided on a shared basis in accordance with § 36-12-4.

10 ~~-(9) "Medicare eligible retiree health care insurance", means the health benefit employees~~
11 ~~who retire from active service of the state (subsequent to July 1, 1989), who immediately prior to~~
12 ~~retirement were employees of the state as determined by the retirement board pursuant to § 36-8-~~
13 ~~1, shall have access to when eligible for Medicare. This health care insurance shall include plans~~
14 ~~providing hospital care, surgical/medical services, rights and benefits which, when taken together~~
15 ~~with their federal Medicare program benefits, 42 U.S.C. § 1305 et seq., shall be comparable to~~
16 ~~those provided for retirees prior to the attainment of Medicare eligibility.~~

17 ~~-(10) "Health reimbursement arrangement", or "HRA" means an account that:~~
18 ~~(i) Is paid for and funded solely by state contributions;~~
19 ~~(ii) Reimburses a Medicare eligible state retiree for medical care expenses as defined in~~
20 ~~§ 213(d) of the Internal Revenue Code of 1986, as amended, which includes reimbursements for~~
21 ~~health care insurance premiums;~~
22 ~~(iii) Provides reimbursements up to a maximum dollar amount for a coverage period; and~~
23 ~~(iv) Provides that any unused portion of the maximum dollar amount at the end of a~~
24 ~~coverage period is carried forward to increase the maximum reimbursement amount in~~
25 ~~subsequent coverage periods.~~

26 **36-12-4. Coverage of Non-Medicare-eligible retired employees Coverage of retired**
27 **employees. --** (a) ~~Non-Medicare-eligible retired~~ Retired employees who ~~retired~~ retire on or before
28 September 30, 2008. - Any retired employee who retired on or before September 30, 2008 shall
29 be entitled, ~~until attaining Medicare eligibility,~~ to be covered under §§ 36-12-1 -- 36-12-5 for
30 himself and herself and, if he or she so desires, his or her ~~non-Medicare-eligible~~ dependents, upon
31 agreeing to pay the total cost of his or her contract at the group rate for active state employees.
32 Payments of any ~~non-Medicare-eligible~~ retired employee for coverage shall be deducted from his
33 or her retirement allowance and remitted from time to time in payment for such contract. In
34 addition, any retired employee who retired on or before September 30, 2008 shall be permitted to

1 purchase coverage for his or her ~~non-Medicare-eligible~~ dependents upon agreeing to pay the
 2 additional cost of the contract at the group rate for active state employees. Payment for coverage
 3 for ~~these~~ dependents shall be deducted from his or her retirement allowances and remitted as
 4 required in payment for the contract.

5 (b) ~~Non-Medicare-eligible state retirees~~ State employees who ~~retired~~ retire subsequent to
 6 July 1, 1989, and on or before September 30, 2008. ~~Non-Medicare-eligible state retirees~~ State
 7 employees who ~~retired~~ retire subsequent to July 1, 1989, and on or before September 30, 2008,
 8 from active service of the state, and who were employees of the state as determined by the
 9 retirement board under section 36-8-1, shall be entitled to receive for himself or herself ~~non-~~
 10 ~~Medicare-eligible~~ a retiree health care insurance benefit as described in section 36-12-1 in
 11 accordance with the following formula:

12	Years of Service	Age at Retirement	State's Share	Employee's Share
13	10-15	60	50%	50%
14	16-22	60	70%	30%
15	23-27	60	80%	20%
16	28+	--	90%	10%
17	28+	60	100%	0%
18	35+	any	100%	0%

19 If the retired employee is receiving a subsidy on September 30, 2008, the state will
 20 continue to pay the same subsidy share until the retiree attains age sixty-five (65). ~~Until~~
 21 ~~December 31, 2013, when~~ When the ~~state~~ retiree reaches that age which will qualify him or her
 22 for Medicare supplement, the formula shall be:

23	Years of Service	State's Share	Employee's Share
24	10 - 15	50%	50%
25	16 - 19	70%	30%
26	20 - 27	90%	10%
27	8+	100%	0%

28 (c) ~~Non-Medicare-eligible retired~~ Retired employees who retire on or after October 1,
 29 2008. Any retired employee who retires on or after October 1, 2008 shall be entitled, ~~until~~
 30 ~~attaining Medicare-eligibility,~~ to be covered under §§ 36-12-1 -- 36-12-5 for himself and herself
 31 and, if he or she so desires, his or her ~~non-Medicare-eligible~~ dependents, upon agreeing to pay the
 32 total cost of the contract in the plan in which he or she enrolls. Payments of any ~~non-Medicare-~~
 33 ~~eligible~~ retired employee for coverage shall be deducted from his or her retirement allowance and
 34 remitted from time to time in payment for such contract. Any retired employee who retires on or

1 after October 1, 2008, shall be permitted to purchase coverage for his or her ~~non-Medicare-~~
2 ~~eligible~~ dependents upon agreeing to pay the additional cost of the contract at the group rate for
3 the plan in which the dependent is enrolled. Payment for coverage for dependents shall be
4 deducted from the retired employee's retirement allowances and remitted as required in payment
5 for the contract. The Director of Administration shall develop and present to the chairpersons of
6 the House Finance Committee and the Senate Finance Committee by May 23, 2008 a retiree
7 health plan option or options to be offered to retirees eligible for state-sponsored medical
8 coverage who are under age sixty-five (65) or are not eligible for Medicare. This plan will have a
9 reduced benefit level and will have an actuarially based premium cost not greater than the
10 premium cost of the plan offered to the active state employee population. This new plan option
11 will be available to employees retiring after September 30, 2008, and their dependents.

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

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

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

32 SECTION 2. Section 36-12-4.1 of the General Laws in Chapter 36-12 entitled "Insurance
33 Benefits" is hereby repealed.

34 ~~36-12-4.1. Coverage of Medicare-eligible retired employees.— (a) The director of the~~

1 ~~department of administration shall ensure retired employees access to Medicare eligible retiree~~
2 ~~health care insurance. Under this program, the state will establish a health reimbursement account~~
3 ~~(HRA) funded by state contributions for each Medicare eligible state retiree who elects to receive~~
4 ~~health care insurance through the state sponsored program. (b) The funds contained in the HRA~~
5 ~~may be utilized for any eligible medical care expenses as defined in § 213(d) of the Internal~~
6 ~~Revenue Code of 1986, as amended, which includes reimbursements for health care insurance~~
7 ~~premiums. (c) The director of the department of administration shall procure services to~~
8 ~~maximize consumer choice and options with respect to the individual policies available to~~
9 ~~Medicare eligible retirees. (d) The maximum state contribution to each Medicare eligible state~~
10 ~~retiree's HRA account will be equal to the lowest cost Medicare supplemental plan that is filed~~
11 ~~with the Office of the Health Insurance Commissioner of Rhode Island, that is available through~~
12 ~~the state sponsored program, and that meets the provisions of the Medicare eligible retiree health~~
13 ~~care insurance benefit defined in section 36-12-1(9). The maximum state contribution will vary~~
14 ~~by age as specified by the rates set forth in the Medicare supplemental plan filing. (e) For~~
15 ~~Medicare eligible state retirees who retired before September 30, 2008, effective January 1, 2014,~~
16 ~~the state of Rhode Island will credit an amount to each retiree's HRA account on a monthly basis.~~
17 ~~The amount of such credit shall be calculated based on the retiree's years of service, as a~~
18 ~~percentage of the maximum state contribution set forth in (d) above, and in accordance with the~~
19 ~~following formula:~~

20 ~~Years of Service State's Employee's Share Contribution 10-15 50% 50% 16-19 70%~~
21 ~~30% 20-27 90% 10% 28+ 100% 0%~~

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

26 ~~(g) Medicare eligible teacher retirees may purchase the individual policies available to Medicare~~
27 ~~eligible state retirees under the state sponsored program.~~

28 ~~(g) Medicare eligible teacher retirees may purchase the individual policies available to~~
29 ~~Medicare eligible state retirees under the state sponsored program.~~

30 SECTION 3. This act shall take effect upon passage.

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EXPLANATION
BY THE LEGISLATIVE COUNCIL
OF

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RELATING TO INSURANCE -- MEDICARE EXCHANGE PROGRAM FOR MEDICARE-
ELIGIBLE RETIREES

1 This act would revert back from the most recent changes in the general laws concerning
2 the process by which the state pays for medical coverage for Medicare eligible state and teacher
3 retirees.

4 This act would take effect upon passage.

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