

Title 17

DEPARTMENT OF BUDGET AND MANAGEMENT

Subtitle 04 PERSONNEL SERVICES AND BENEFITS

17.04.13 State Employees' Health Benefits

Authority: State Personnel and Pensions Article, §§2-503 and 4-106, Annotated Code of Maryland

Notice of Proposed Action

[12-323-P]

The Secretary of Budget and Management proposes to amend Regulations .03 and .05 under **COMAR 17.04.13 State Employees' Health Benefits**.

Statement of Purpose

The purpose of this action is to amend the regulations based on changes to the eligibility requirements in the State Employee and Retiree Health and Welfare Benefits Program as part of H.B. 72, Ch. 397, Acts of 2011 (Budget Reconciliation and Financing Act of 2011).

Comparison to Federal Standards

There is no corresponding federal standard to this proposed action.

Estimate of Economic Impact

I. Summary of Economic Impact. The out-of-pocket limits for participating employees were increased, which brought an immediate savings, and the State's Other Postemployment Benefits (OPEB) will experience a savings by having Medicare eligible retirees move out of the State's plan in 2020. The estimated savings are \$6.2 billion.

II. Types of Economic Impact.	Revenue (R+/R-)	Magnitude
	Expenditure (E+/E-)	
A. On issuing agency:	(R+)	\$6.2 Billion
B. On other State agencies:	NONE	
C. On local governments:	NONE	
	Benefit (+)	Magnitude
	Cost (-)	
D. On regulated industries or trade groups:	NONE	
E. On other industries or trade groups:	NONE	
F. Direct and indirect effects on public:	NONE	

III. Assumptions. (Identified by Impact Letter and Number from Section II.)

A. The estimated savings are \$6.2 billion.

Economic Impact on Small Businesses

The proposed action has minimal or no economic impact on small businesses.

Impact on Individuals with Disabilities

The proposed action has no impact on individuals with disabilities.

Opportunity for Public Comment

Comments may be sent to Anne Timmons, Director, Employee Benefits Division, Department of Budget and Management, 301 W. Preston Street, 5th Floor, Baltimore, MD 21201, or call 410 767-4710, or email to PPRRegulations@dbm.state.md.us, or fax to 410 333-7122. Comments will be accepted through January 2, 2013. A public hearing has not been scheduled.

.03 Eligibility for Coverage and Subsidy.

A. Eligible Persons. The following persons are eligible for Program coverage, with the exception of those persons listed in §B of this regulation:

(1) — (6) (text unchanged)

(7) Designated beneficiaries of deceased persons listed in §A(1)—(6), [and] (8), and (9) of this regulation in accordance with State Personnel and Pensions Article, §§2-507, 2-508 and 2-509, Annotated Code of Maryland, with the following limitations:

(a) — (b) (text unchanged)

(8) Retired employees who[:] *began State service on or before June 30, 2011, or who began State service on or after July 1, 2011 and are retirees of the Judges' Retirement System, and who:*

(a) (text unchanged)

(b) Receive a periodic distribution of benefits from the Maryland Optional Retirement Program under State Personnel and Pensions Article, Title [20]30, Annotated Code of Maryland, and who have:

(i) — (iii) (text unchanged)

(9) [Dependents of eligible persons listed in §A(1)—(6), (8), (10), and (11) of this regulation who are one of the following:] *Retired employees who began State service on or after July 1, 2011, and who:*

(a) *Receive a retirement allowance pursuant to State Personnel and Pensions Article, Division II, Annotated Code of Maryland, and who have:*

(i) *Retired directly from State service with a State retirement allowance provided that the employee had at least 10 years of creditable service;*

(ii) *Terminated State service with 25 years or more of creditable service; or*

(iii) *Terminated State service with 10 years of creditable service and within 5 years of normal retirement age; or*

(b) *Receive a periodic distribution of benefits from the Maryland Optional Retirement Program under State Personnel and Pensions Article, Title 30, Annotated Code of Maryland, and who have:*

(i) *Ended service with a State institution of higher education with at least 10 years of service and were at least age 57;*

(ii) *Ended service with a State institution of higher education with at least 25 years of service; or*

(iii) *Retired directly from and had at least 10 years of service with a State institution of higher education on or after July 1, 2011;*

(10) *Dependents of eligible persons listed in §A(1)—(6), (8), (9), (11), and (12) of this regulation who are one of the following:*

(a) (text unchanged)

(b) A dependent child of an employee or retired employee, as identified in this [section] chapter;

(c) — (d) (text unchanged)

[(10)] (11) — [(11)] (12) (text unchanged)

B. — C. (text unchanged)

D. Subsidy.

(1) Except as provided in Regulation .04B of this chapter for contractual and part-time employees, the State subsidy as provided in the State budget for active employees is available to those individuals identified in §A(1)—(6) of this regulation and their dependents as described in §A[(9)] (10) of this regulation.

(2) (text unchanged)

(3) The State subsidy available for individuals described in §A(8) and (9) of this regulation and their dependents as described in §A[(9)] (10) of this regulation shall be determined as provided in Regulation .05 of this chapter, provided that the dependents of those retired employees described in §A(8)(b) and (9)(b) of this regulation are not entitled to any State subsidy unless the retired employee has a total of 25 or more years of service with the State in a permanent, non-contractual position in the Executive, Judicial, or Legislative branch of State government. Prorated credit for service is provided for less than full-time service in such positions.

.05 State Subsidy of Retired Employees Who Are Eligible for Health Insurance Benefits in Accordance with Regulation .03 of This Chapter.

A. A retired employee who *began State service on or before June 30, 2011*, and the designated beneficiaries of a retired employee who *began State service on or before June 30, 2011*, and a retired employee of the Judges' Retirement System who *began State service on or after July 1, 2011*, and the designated beneficiaries of a retired employee of the Judges' Retirement System who *began State service on or after July 1, 2011*, are eligible to receive the subsidy provided by the State for the cost of the health insurance benefits program on the following basis:

(1) — (6) (text unchanged)

(7) If a retired State employee retires with a periodic benefit under the Optional Retirement System of State Personnel and Pensions Article, Title 30, Annotated Code of Maryland, the retiree and the dependents of the retiree shall receive the subsidy provided pursuant to State Personnel and Pensions Article, §2-509(a), Annotated Code of Maryland.

B. A retired employee who *began State service on or after July 1, 2011* and the designated beneficiaries of a [the] retired employee who *began State service on or after July 1, 2011* are eligible to receive the subsidy provided by the

State for [shall pay the remainder of] the cost of the health insurance benefits [premium that is not provided for under §A of this regulation.] program on the following basis:

(1) If an employee retired from State service and had at least 10 years of creditable service, the retired employee and the designated beneficiaries of the retired employee shall receive 10/25 of the subsidy provided to a State employee;

(2) If an employee retired from State service and had more than 10 but less than 25 years of creditable service, the retired employee and the designated beneficiaries of the retired employee shall receive 1/25 of the subsidy for each year of creditable service that is more than 10 but less than 25 years;

(3) If an employee retired from State service and had 25 or more years of creditable service, the retired employee and the designated beneficiaries of the retired employee shall receive the same subsidy that is provided to a State employee;

(4) If a retired employee is in receipt of a State disability retirement allowance, the retired employee and the designated beneficiaries of the retired employee shall receive the same subsidy that is provided to a State employee;

(5) Except as provided in §B(6) of this regulation, a person in receipt of a special death benefit under State Personnel and Pensions Article, §29-204, Annotated Code of Maryland, shall receive the same subsidy that is provided to a State employee; and

(6) If a retired State employee retires with a periodic benefit under the Optional Retirement System of State Personnel and Pensions Article, Title 30, Annotated Code of Maryland, the retiree and the dependents of the retiree shall receive the subsidy provided pursuant to State Personnel and Pensions Article, §2-509(b), Annotated Code of Maryland.

C. The health insurance benefit for eligible retirees and their designated beneficiaries includes a prescription drug benefit that:

(1) Has the same copayments, coinsurance, and deductible that apply to the prescription drug benefit for active State employees;

(2) Requires:

(i) Retirees and their designated beneficiaries who qualify for the maximum State subsidy to pay 25 percent of the premium for the prescription drug benefit; and

(ii) Retirees and their designated beneficiaries who qualify for a partial State subsidy to pay 25 percent of the premium for the prescription drug benefit plus the proportional additional amount required under State Personnel and Pensions Article, §2-508(b)(4)(ii) and (c)(4)(ii), Annotated Code of Maryland; and

(3) Requires retirees and designated beneficiaries to pay out-of-pocket limits up to:

(i) \$1,500 per plan year for the retiree only coverage; and

(ii) \$2,000 per plan year for the retiree plus dependent(s) coverage.

D. Beginning on July 1, 2020, Medicare-eligible retirees will cease to be eligible for the prescription drug benefit option provided under the State Employee and Retiree Health and Welfare Benefits Program.

E. A retired employee and the designated beneficiaries of the retired employee shall pay the remainder of the cost of the health insurance benefits premium that is not provided for under §§A—D of this regulation.

T. ELOISE FOSTER
Secretary of Budget and Management