

# Continuation of



# Health Insurance Benefits



# Consolidated Omnibus Budget Reconciliation Act (COBRA)

- Coverage may be continued for up to 18 months through COBRA for the same or reduced coverage.
- You will be responsible for 100% of the premium for the plans you elect to continue, plus a 2% administrative fee.
- Submit Direct Pay Enrollment Form within 63 days of receiving a COBRA notice.
- Payment coupons will be provided for you to mail with your monthly payments.

# COBRA Covered Health Benefits

You may continue the following benefits under COBRA:

- Health Insurance
- Prescription Drug
- Dental
- Healthcare Flexible Spending Account
  - no additional tax savings





# Benefits NOT Covered by COBRA

You may NOT continue the following:

- Dependent Care Spending Account
- Accidental Death & Dismemberment
- Insurance (AD&D)
  - Contact Securian at (866) 883-3514 to continue coverage
- Life Insurance
  - Contact Securian at (866) 883-3514 to continue coverage

# Health Insurance Benefits



## Upon Retirement

**Eligibility and State Subsidy**

# Eligibility Requirements (Hired prior to 7/1/11)

To be eligible to enroll in health benefits upon retirement, the following criteria must be met:

## Direct Retirement (directly following State service)

You must have at least five years of creditable service.

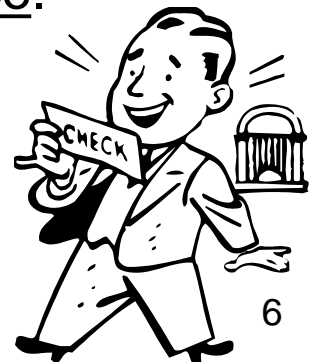
## Deferred Retirement (vested for a future retirement)

Upon ending State service, you must:

- have at least 16 years of creditable service; or
- be within five years of normal (full) retirement age  
AND have at least 10 years of creditable service.

## Disability Retirement (ordinary or accidental)

You will be eligible, regardless of your amount of creditable service.



# Eligibility Requirements (Hired After 7/1/11)

To be eligible to enroll in health benefits upon retirement, the following criteria must be met:

## Direct Retirement (directly following State service)

You must have at least 10 years of creditable service.

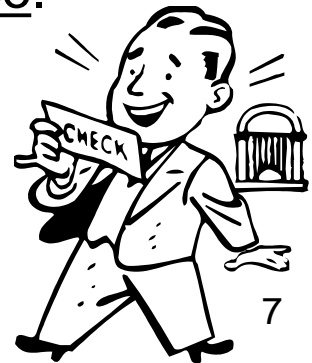
## Deferred Retirement (vested for a future retirement)

Upon ending State service, you must:

- have at least 25 years of creditable service; or
- be within five years of normal (full) retirement age  
AND have at least 10 years of creditable service.

## Disability Retirement (ordinary or accidental)

You will be eligible, regardless of your amount of creditable service.

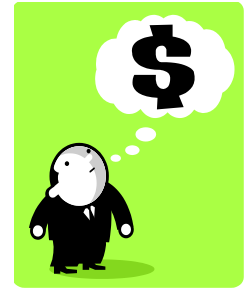


# State Subsidy

The State will subsidize the payment of your monthly premiums as follows:

You will receive the **Maximum State subsidy** (the same as active employees) if you:

- have at least 16 years of creditable service if
- prior to 7/1/11; OR
- have at least 25 years of creditable service if
- after 7/1/11; OR
- receive a State disability retirement



You will receive a **Pro-rated State subsidy** (determined by your amount of creditable service) if you:

- have less than 16 years of creditable service prior
- to 7/1/11; OR
- have less than 25 years of creditable service after 7/1/11





# Calculating Pro-rated State Subsidy

## Formula:

Months of creditable service  $\div$  192 months (16 years) = the percentage of the maximum subsidy amount that the State will pay if hired prior to 7/1/11  
OR Months of creditable service  $\div$  300 months (25 years) if hired after 7/1/11

The retiree will pay the “uncovered” percentage of the maximum subsidy amount, in addition to the regular monthly Retiree Premium amount.

## Example (pro-rated subsidy with ten years of creditable service):

The State will pay 62.5% of the maximum subsidy amount;

$$120 \text{ (months)} \div 192 \text{ (months)} = .625 \text{ or } 62.5\%$$

The State will not pay 37.5% of the maximum subsidy amount;

$$100\% - 62.5\% = 37.5\%$$

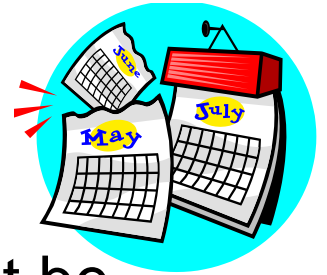
The Retiree’s monthly cost will be the

**Monthly retiree premium + 37.5% of maximum subsidy**

**To request an estimate of pro-rated premiums, call the Employee Benefits Division at (410) 767-4775 or toll-free 1(800) 30-STATE (8283).**

# How Premiums are Paid

- Premiums are deducted from your monthly retirement income.



- If one or more of your plan premiums cannot be deducted in full, you will receive monthly payment coupons.



- The coupons will be accompanied by a letter explaining the “Direct Pay” payment process.



# Enrolling in Retiree Health Benefits

If you do not submit a Retiree Enrollment Form within 60 days of your retirement, you can enroll:

- within 60 days of a qualifying change (such as loss of other coverage; see Benefits Guide for other qualifying changes); or
- during any Open Enrollment period

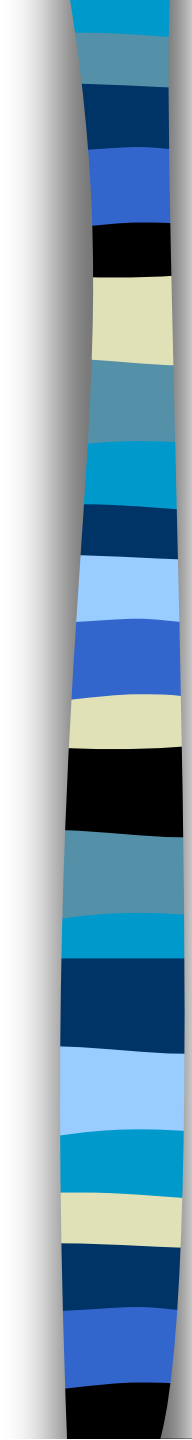


# Retiring with Life Insurance

If you are currently enrolled in term life insurance, you may continue life insurance coverage as a retiree as long as there is no break in your life insurance coverage between employment and retirement.

If your medical, prescription drug, or dental coverage will be deducted from your active employment through the 15<sup>th</sup> of the month, when your Retiree Enrollment Form is processed, you will be sent a letter telling you how to pay for any health benefits if there should be a coverage gap prior to the beginning of your retirement date.

If you are continuing term life insurance, this payment is mandatory in order to be eligible for continued life insurance as a retiree.



# Automatic Reduction in the Amount of Term Life Insurance for Retirees and Dependents

There is an automatic reduction in the amount of term life insurance coverage for retirees and their dependents, **based on the age of the retiree**, as follows:

The month the retiree reaches age 65: 65% of original coverage amount

The month the retiree reaches age 70: 45% of original coverage amount

The month the retiree reaches age 75: 30% of original coverage amount

The month the retiree reaches age 80: 20% of original coverage amount

Upon each reduction, the retiree can contact the term life insurance carrier within 31 days to inquire about enrolling in a whole life policy directly with the carrier for up to the reduced amount.

Term life premium rates are age-banded and increase every five years; therefore, reductions in coverage and an increase in premium rates occur simultaneously.

For more information about Retiree Life Insurance, see the Guide to your Health Benefits

# Retiree Coverage and Medicare

For full medical coverage, retirees and covered dependents must enroll in Medicare Parts A & B when they become eligible due to:

- age (at age 65); or
- disability (at any age)
- ESRD (End Stage Renal Disease)

■ Medicare becomes the primary insurer and the State retiree medical plan is secondary payer to Medicare Parts A & B.

- Medicare Part A (hospital)
- Medicare Part B (medical)

There is a monthly cost for Part B coverage; however, retirees and covered dependents that refuse Part B are responsible for the portion of claims (80%) that Medicare Part B would have paid.

■ Medicare Part D (prescription drug coverage) is entirely voluntary (Enroll 10/15-12/7 each year).

- The State's prescription drug plan is Creditable Coverage;
- If you do not enroll in Part D now, you can enroll at a later date without penalty, as long as you do not have a break in coverage of 63 days or more.





# Enrolling in Medicare

When you retire, if you or a covered dependent are already eligible for Medicare, each person who is eligible for Medicare should take the following action:

- Visit the local Social Security office or call 1(800) 772-1213
- Tell the representative that your coverage in an active employee group will end and you want to enroll in Medicare Parts A and B without penalty, during your [Special Enrollment Period](#).
- Medicare is always effective on the first day of a month.
- You and/or your dependents who are eligible for Medicare due to age (at age 65) or disability (at any age) should enroll effective the first day of the month of your retirement to have full claims medical coverage.

For more information about Medicare and Retiree coverage,  
see the Guide to your Health Benefits

NOTE: The Social Security Administration has advised that according to federal regulations, Special Enrollment Period rules do not apply to Domestic Partners. For more information, please contact the Social Security Administration.



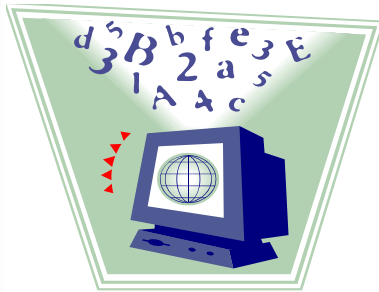
# Retirement Options and Health Benefits for a Surviving Spouse or Child

- Retirement Options 2, 3, 5, and 6 provide a monthly pension for a surviving beneficiary:
  - a surviving spouse-beneficiary can enroll in health benefits with the same State subsidy as the retiree
  - a surviving spouse-beneficiary can cover eligible dependents that would also be dependents of the retiree if he/she were still living
  - a surviving child-beneficiary is eligible for health benefits only if he/she meets the eligibility criteria for dependent child coverage
    - Coverage ends when the child no longer meets dependent child criteria; at that time, coverage can be continued under COBRA for a limited time with no State subsidy.
- Retirement Options 0, 1, and 4 do not provide a monthly pension for surviving beneficiaries:
  - the only health benefits option for a surviving spouse or eligible child(ren) would be COBRA coverage for up to 36 months (with no State subsidy)



# Website:

[www.dbm.maryland.gov/benefits](http://www.dbm.maryland.gov/benefits)



Phone (410) 767-4775 or  
Toll Free 1(800) 30-STATE (8283)