HB 381

Department of Legislative Services

Maryland General Assembly
2020 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 381 (Delegates Krimm and Cox)
Appropriations

State Employee and Retiree Health Benefits - Retirees - Enrollment in a Medicare Advantage Plan

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This bill requires that regulations adopted by the Secretary of Budget Management to implement the State Employee and Retiree Health and Welfare Benefits Program (State plan) allow retirees who are enrolled in the State plan and are eligible for the Medicare Supplemental Program to enroll or discontinue participation in a Medicare Advantage Plan. **The bill takes effect July 1, 2020**.

Fiscal Summary

State Effect: The Department of Budget and Management (DBM) can implement the bill's provisions with existing resources. To the extent that Medicare-eligible retirees elect to participate in Medicare Advantage plans rather than the State's supplemental plan, the State may recognize savings, but any such savings are uncertain and, thus, are not estimated. No effect on revenues.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: Statute requires the Secretary of Budget and Management to develop and administer the State plan to provide health insurance benefit options to employees of all units in the Executive, Judicial, and Legislative branches, including units with independent personnel systems. The plan must include health benefit options established by the Secretary.

Retiree Eligibility for Coverage and Subsidies

Upon their retirement, and provided they receive a retirement allowance from the State Retirement and Pension System, retired State employees may enroll and participate in any of the health insurance options provided by the State plan. Until the enactment of Chapter 397 of 2011, this had allowed retired State employees to retain the same health coverage they had as active employees. In addition, active State employees earn eligibility for a partial State subsidy of the cost of health insurance coverage when they retire.

Chapter 397 established new eligibility requirements for retirees to enroll in the State plan and qualify for the premium subsidy if they are hired on or after July 1, 2011. Therefore, the eligibility requirements to enroll in the State plan are different for those who began employment with the State before July 1, 2011, and those who began employment with the State on or after that date. Employees hired *before* July 1, 2011, are eligible to enroll and participate in the group coverage when they retire if they have:

- retired directly from the State with at least 5 years of service;
- retired directly from State service with a disability;
- ended State service with at least 16 years of service;
- ended State service with at least 10 years of creditable service and within 5 years of retirement age; or
- ended State service on or before June 30, 1984.

Employees who began employment with the State *on or after* July 1, 2011, are eligible to enroll in the State plan if they:

- retire directly from the State with at least 10 years of service;
- retire directly from State service with a disability;
- end State service with at least 25 years of service; or
- end State service with at least 10 years of creditable service and within 5 years of normal retirement age.

Similarly, eligibility for the premium subsidy differs depending on when the retiree began employment with the State. A retiree hired *before* July 1, 2011, must have at least 16 years of service to receive the same subsidy of health insurance premiums that is provided to active employees:

- 80% of preferred provider organization premiums;
- 83% of point of service premiums; and
- 85% of premiums for exclusive provider organizations and integrated health models.

If a retiree has fewer than 16 years of State service (but at least 5 years), the benefit is prorated. A retiree hired *on or after* July 1, 2011, must have 25 years of service to receive the same subsidy as that provided to active employees. If a retiree has fewer than 25 years (but at least 10), the benefit is prorated.

Medicare-eligible Retirees

When a retiree reaches age 65 and becomes eligible for Medicare, the retiree (1) becomes eligible for benefits under the State's Medicare Supplemental Program and (2) has membership in the State plan automatically converted to an appropriate membership level under the Medicare Supplemental Program. The supplemental program provides reimbursement for specified health care expenses that are not covered by or not fully reimbursed by Medicare. This type of coverage is also referred to as Medigap coverage; Medicare becomes the primary insurer for Medicare-eligible retirees, with the Medicare Supplemental Program providing supplemental or secondary coverage.

Background: The federal Medicare program provides comprehensive health insurance for specified individuals beginning at age 65. It is divided into four major parts, with Part A providing coverage for inpatient medical care, Part B providing coverage for outpatient medical care, and Part D providing prescription drug coverage. Medicare Advantage plans, also referred to as Part C plans, combine the coverage provided by Parts A and B into a single integrated plan administered by a private insurance company (most, but not all, Medicare Advantage plans also offer prescription drug coverage). By integrating coverage, Medicare Advantage plans can institute managed care and, thus, often provide different levels of coverage than are available in each of the separate parts of Medicare. Medigap policies cannot work with Medicare Advantage plans because the latter provide comprehensive coverage.

State Expenditures: As Medicare Advantage plans cannot work with Medigap policies, it is unclear whether retirees who opt for Medicare Advantage plans lose their State health coverage (under the State's Medicare Supplemental Program) altogether. At the very least, it is assumed that they will be disenrolled from the Medicare Supplemental Program, and they may also lose their premium subsidy by virtue of not participating in the State plan. As a result, the State will no longer have to pay claims costs or premium subsidies for those retirees. To the extent that DBM's regulations allow retirees who choose a Medicare Advantage plan to retain their State premium subsidy and some State coverage, any savings are mitigated.

Additional Comments: Under current law, eligible retirees are allowed to discontinue participation in the State's Medicare Supplemental Program and then may re-enroll again during an open enrollment period.

Additional Information

Prior Introductions: None.

Designated Cross File: None.

Information Source(s): Department of Budget and Management; Department of Legislative Services

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mr/vlg

Analysis by: Michael C. Rubenstein

Direct Inquiries to:
(410) 946-5510
(301) 970-5510