SB 801

Department of Legislative Services

Maryland General Assembly
2022 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

Senate Bill 801 (Senator Guzzone)
Budget and Taxation Appropriations

State Health Plan - Chesapeake Bay Commission - Retirees

This bill authorizes an employee of the Chesapeake Bay Commission (CBC) to enroll and participate in the health insurance or other benefit options established under the State Employee and Retiree Health and Welfare Benefits Program (State plan). It also allows a CBC employee's surviving spouse or a retiree or the retiree's surviving spouse or dependent child to enroll in the State plan if they are receiving an allowance from the Employees' Retirement System or Employees' Pension System (ERS/EPS). The State may charge CBC the full cost of each individual's participation in the State plan. **The bill takes effect July 1, 2022.**

Fiscal Summary

State Effect: The bill does not materially affect State operations or finances, as discussed below.

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: An employee's service with CBC is included as part of the employee's State service for the purpose of determining eligibility for the State plan.

Current Law: The State plan is established in statute to provide health insurance benefit options to State employees and retirees. The Secretary of Budget and Management is charged with developing and administering the State plan, including selecting the insurance options to be offered.

Health benefits provided to retirees are often referred to as other postemployment benefits to distinguish them from pension benefits.

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.

Satellite Organizations

Specified nonprofit organizations and local governments may elect to participate in the State plan as satellite organizations. They must pay the full cost of their participation to the State, including any premiums and administrative costs. In general, only employees, but not retirees, of satellite organizations may elect to participate in the State plan. However, employees, retirees, and their surviving spouses and dependent children of the governmental entities listed below may participate in the State plan (retirees and surviving family members must be receiving an allowance from ERS/EPS in order to qualify):

- Maryland Environmental Service;
- Northeast Maryland Waste Disposal Authority;
- Baltimore Metropolitan Council;
- Maryland Automobile Insurance Fund; and
- the City of Hyattsville.

The State may charge each of these entities the total cost of their participation in the State plan, including the cost of retirees' participation. The bill adds CBC to this list of organizations.

Chesapeake Bay Commission

Originally founded on a bi-state agreement between Maryland and Virginia, CBC was created in 1980. Its formation stemmed from recommendations of the Chesapeake Bay Legislative Advisory Commission on the need for improved interstate coordination of bay-wide management. In 1985, Pennsylvania joined CBC.

CBC helps the legislatures of Maryland, Pennsylvania, and Virginia evaluate and respond to problems relating to the Chesapeake Bay. It also encourages coordinated resource planning and action among the executive agencies of the three member states and serves as liaison to the U.S. Congress. Member states share equally in the administrative costs for the commission.

State Expenditures: CBC already participates in the State plan as a satellite organization, and it pays the full costs of its participation to the State. Thus, the bill effectively makes CBC retirees and their surviving dependents eligible for participation, with the State likely charging CBC the additional cost associated with the participation of retirees and their surviving family members. As Maryland shares in the administrative costs of CBC with Pennsylvania and Virginia, general fund expenditures may increase minimally to cover the State's share of the cost of retiree participation. The Department of Budget and Management estimates the total cost to be between $10,000 and $24,000 in premium payments to the State plan; the State's share of that cost is minimal and has no material effect on State finances.

Additional Information

Prior Introductions: None.

Designated Cross File: None.

Information Source(s): Department of Budget and Management; Chesapeake Bay Commission, Maryland Manual On-Line; Department of Legislative Services

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