Retirees in the State Employee Health Plan Facing Changes
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The Department of Administration recently announced dramatic increases in premiums for participants in the state employee health plan. The largest increases will be for retirees. Non-Medicare retirees will see a 26% increase and Medicare retirees will see an increase of 24%. Employee premiums will increase by 17%.

Since the inception of the state's self funded health plan in the late 1970's the practice was to set premiums for retirees the same as for employees. The state changed this practice for the 2010 plan year so that premiums for retirees are higher than for employees. The reason is that the retiree group, especially the non-Medicare retirees, cost more in benefits. The loss ratio for this group is about 1.4, meaning that for every dollar of premium there is $1.40 in claims paid out. The Medicare retiree loss ration is much smaller, about 1.1. There are 720 non-Medicare retirees and 2420 Medicare retirees on the plan. (Interestingly, this is only 25 -30% of all state government retirees). Currently this "subsidy" is about $5000 per member per year for the non-Medicare group and $1000 per year for the Medicare group.

In setting premiums for the 2015 year, the state's intention is to reduce this subsidy. Since 2010 the AMRPE has objected to the premium differences between employees and retirees through our position on the advisory council. We considered a legal challenge on the premise that the state may be acting contrary to statutory language regarding retiree premiums and the concept of group, 2-18-704 MCA. We are reluctant based on legal advice regarding the chance of success and the cost of a legal challenge. Of course there is politics, some might prefer that retirees be removed from the plan altogether.

During the 2009 session and subsequent interim the Legislative Fiscal Analyst (LFA) raised the issue of retiree health care costs in reports to the legislature. We provided testimony and argued in support of retiree health care. The legislature has taken no action regarding the subsidy and cost issues raised by the LFA.

The health insurance landscape has changed considerably with the implementation of the Affordable Care Act. The state will present information about alternatives to staying on the state plan during the annual change process this fall. Non- Medicare retirees may find a better alternative on the health insurance exchange: no preexisting condition bar and some may even qualify for a premium subsidy. Medicare retirees will receive information about options including Medicare advantage plans. If a retiree elects to leave the state plan for another alternative, they will be given the option to return to the plan in 2016. This is a significant policy change, as the plan has never allowed anyone to return to the plan once they have left.

If you are a state plan member (about 600 AMRPE members are on the plan) be sure to attend an annual change briefing session this fall. There is a lot to consider regarding your health care costs.

-John McEwen, AMRPE Treasurer