



Health WATCH

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**"Too many folks
go through life
running from
something that
isn't after them"**

—Anonymous

SEIB Approves \$9 Million Credit

Agencies Receive \$7.6 Million Credit

In January, the SEIB credited \$7.6 million to State agencies. This credit was a result of cost savings measures enacted by the SEIB that contributed to lower than projected claims costs in 2005. A credit of \$216 toward the employer's share of the employee insurance premium was granted to State agencies in the January billing.

Employees & Retirees Receive \$1.4 Million Credit

Employees participating in the Health Care Reimbursement Account offered through the Flexible Employees Benefits Program received a \$50 credit to their account. Not only did this put an

additional \$50 in the employee's pocket, but the credit increased participation in the Health Care Reimbursement Account by over 50%. This increase in participation equates to a \$2.4 million payroll tax savings (\$1.9 million for State employees and \$.5 million for State agencies).

Since only active employees may participate in the flex plan, the SEIB also approved a \$50 credit toward the premium paid by retirees for the month of January.



Alabama Recognized as a Leader in Health Care Reform

In a recent article in the Wall Street Journal, the State of Alabama was cited (along with only two other states, Ohio and Utah) for its leadership in addressing future retiree health care costs. Starting in fiscal year 2007 state and local governments will be required to recognize their long-term obligations to pay for retiree health care benefits and the cost each year to fund this liability. Estimates of obligations for some states range from \$500 million to as much as \$40 billion. Recent estimates for Alabama put the figure at over \$10.9 billion for State employees and teachers.

To address this liability, states are considering several options including cutting retiree benefits, borrowing money and diverting tax dollars. While other states are still pondering what action to take, Alabama has already enacted legislation to address future retiree costs. Thanks to the leadership of the

administration and the legislature, proactive steps have been put in place to address future costs and protect retiree health benefits.

Sources: *Wall Street Journal, Bond Buyer, and the Montgomery Advertiser*



Health Care Reform Instrumental in Bond Rating Upgrade

Last August Moody's Investors Service upgraded the State of Alabama's General Obligation bond rating from Aa3 to Aa2. A higher bond rating generally increases the State's borrowing power, thus reducing the overall financing costs. This gives the State the advantage of reducing its debt payments and lowering the need for additional revenue to fund State programs.

Rating analyst Edward Hampton said the upgrade reflects the growing importance Moody's rating methodology assigns to state financial management practices. One of Alabama's financial practices recognized in the bond rating upgrade was the health care reforms enacted in 2004.

Sources: *Wall Street Journal, Bond Buyer, and the Montgomery Advertiser*

Planning to Retire in 2006?

A reminder that the retiree sliding scale, based on the numbers of years of service, is now in effect for all State employees. For employees retiring with 25 years of service, the State will pay 100% of the State-share premium. Each year less than 25, the State-share will be reduced by 2% and the retiree share increased accordingly. Each year over 25, the State share will be increased by 2% and the retiree share reduced accordingly. NOTE: this 2% applies to the State share only.

You should also be aware that if you retire after September 30, 2005 and become employed by another employer that offers health insurance to its employees, you may be required to drop your retiree health insurance coverage with the State and enroll in your new employer's health insurance coverage. You are required to drop your retiree health coverage through the State if your new employer pays for at least 50 percent of the cost of single coverage.

If you are required to take your new employer's health insurance, the SEIB offers supplemental and optional coverages at no cost to you that will cover most, if not all, of your out-of-pocket expenses. You can come back into the State plan without a break in coverage should your new employer stop paying at least 50% of the cost of single coverage or you should lose your other employer's health insurance coverage.

Tobacco Users Surcharge Saves the State \$2.7 Million

State Workers Who Use Tobacco Exceed 22%

One of the concerns raised regarding the health care reforms enacted by the Legislature in 2004 dealt with policing the tobacco user surcharge. The question was: Would State employees be honest about their tobacco use? Well the numbers are in and the answer is a resounding yes! Over 22% of active and retired employees accepted the increase premium for tobacco use. This is slightly above the range of 18% to 20% projected by the SEIB. The result is an annual savings to the State of over \$2.7 million.

Board Adopts Verification Procedures for Non-Tobacco Usage

Beginning in 2006, all active and retired State employees must verify their tobacco usage status on a member verification form that they will receive each year. In addition to the annual member verification, the SEIB may verify a member's tobacco usage status on its own initiative at any time. The verification process may also be initiated upon a written request from at least two people. The following actions will be taken to verify a member's tobacco usage status:

- The member will be sent a form to verify his/her (or spouse's) tobacco use status.
- The member will be given 30 days to respond.
- If the member admits that he/she no longer qualifies for the non-tobacco user discount, or does not respond within 30 days, the SEIB will notify the member that the non-tobacco usage discount will be discontinued and he/she will be back billed for past premiums due. The member will also be subject to a recall of claims.
- If the member responds that his/her (or covered spouse's) tobacco use status has not changed, the member (and covered spouse) must sign the verification form and agree to a review of relevant medical records.
- Should the member's (or covered spouse's) medical records reveal tobacco usage or should the member (or covered spouse) refuse to authorize access to his or her medical records, then the actions listed in #3 will be initiated.

By accepting the higher premium, not only are tobacco users contributing toward the increased cost of their health care (estimated at an additional \$13.2 million per year), but they are also protecting their health benefits. Twenty dollars per month is a paltry sum to pay when you consider the thousands of dollars in health care costs that could be denied if it is determined that you are a tobacco user and did not pay the surcharge. Based on the honesty and integrity exhibited by the response of State employees to the surcharge, having to deny claims related to tobacco usage will be the exception, not the rule.



If You Would Like To Quit

If you're ready to improve your health and avoid potentially expensive health problems in the future, then the SEIB is ready to help you. The SEIB provides a Tobacco Cessation Program for its covered members. Program literature is available through our Wellness Program, at the Worksite Wellness Screenings, and on our website.

Additional information is available by calling Alabama's Tobacco Quitline at 1-800-QUIT-NOW (1-800-784-8669). Other online resources and support can be obtained through the following organizations:

- American Cancer Society**www.cancer.org
- Agency for Healthcare Research and Quality**www.ahrq.gov
- National Cancer Institute**.....www.cancer.gov
- American Lung Association**.....www.lungusa.org/tobacco
- Mayo Clinic**.....www.mayoclinic.org
- Intracorp's Smart Steps**www.healthinfoseeker.com

password: seib

The SEIB will reimburse each member 80% of the cost of the program, with no deductible. There is a lifetime maximum benefit of \$150. Tobacco cessation seminars and all forms of nicotine replacement are also covered services.

Prescription medications for tobacco cessation are covered through the SEHIP Prescription Drug Program and are not subject to the \$150 lifetime maximum benefit.

When you've been tobacco free for twelve months you will become eligible for the non-tobacco user discount. What a deal. Not only will you save money, but you'll improve your health too!

LET'S QUIT NOW!!!

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Marketing Our New Programs

As a result of the reforms recently enacted by the Alabama Legislature, the SEIB can now offer State employees more options regarding their health care benefits. The greater the participation in these programs, the more savings employees and the State will realize. In order to take advantage of these savings, the SEIB must increase employee participation in the supplemental, optional, TRICARE supplemental and flexible benefit programs.

The SEIB is currently seeking qualified people to market the health benefits directly to State employees under a personal services contract. Under this contract, the potential salary level can be substantial should commission sales quotas be met. However, this is not a merit system position. Accordingly, there are no health or retirement benefits.

Anyone interested in applying as a contract marketing representative should submit an application online at our website at www.SEIB.state.al.us or download the application and send it to the address listed on page one.