



The PEEHIP Funding
Crisis in Alabama

Introduction

Unfunded liabilities are the difference between the benefits promised to current and future retirees and how much will be collected in premiums.¹ Alabama, like almost every other state, is carrying massive unfunded liabilities for state education employee health benefits that are requiring massive payments to remain solvent. According to a July 2010 report by the Retirement Systems of Alabama (RSA), more than \$11.9 billion in healthcare benefits have been promised to the more than 138,000 members of the state's Public Education Employee Health Insurance Program (PEEHIP) and 147,000 of their dependents.²

States typically provide generous healthcare benefits to employees. Moreover, legislators often use a "back door" approach to rewarding employees by increasing benefits such as health insurance programs with continued benefits for retirees when they cannot provide pay raises.³

In Alabama, the cost to the state for these unfunded liabilities is currently \$864.5 million a year. To help offset these liabilities, in 2007 the State Legislature finally directed the state to begin setting aside assets to pay for these benefits. By the end of fiscal year (FY) 2009, the state had saved only \$670 million of the \$11.9 billion needed to pay these obligations, leaving \$11.2 billion unfunded.⁴ If this gap is not closed, members will likely see a reduction or even loss of healthcare benefits, significantly increased premiums and copays, or both. Or worse, taxpayers will have to foot the bill.

Alabama is not alone in this crisis. According to a February 2010 report by the Pew Center on the States, the total liability of states for healthcare and other non-pension benefits was \$587 billion in FY 2008, with just \$32 billion—about 5 percent of the total cost—set aside to help pay it.⁵

This study provides information about the costs of healthcare coverage for both active and retired employees and provides an estimate of the retiree healthcare liability for Alabama. The costs of coverage in other states and regions are also compared. Policy recommendations for fully funding PEEHIP are also given.

Bringing a Hidden Debt into the Light

For years, liabilities were hidden, but that changed when the Governmental Accounting Standards Board (GASB) issued new rules in 2004 requiring state and local governments to post these liabilities on their balance sheets, as well as how much must be set aside each year to pay off

¹ Pamela Villarreal, "Social Security and Medicare Projections: 2009." National Center for Policy Analysis *Brief Analysis*, No. 662, June 11, 2009. Available at <<http://tinyurl.com/n38elt>>. Access verified July 13, 2010.

² Cavanaugh Macdonald Consulting, LLC, "Alabama Public Education Employees' Health Insurance Plan: Report of Actuary on the Retiree Medical Valuation—Prepared as of September 30, 2009." July 12, 2010, p. 5. Available at <<http://tinyurl.com/24gpte8>>. Access verified July 14, 2010.

³ "DROP Bill Approved by House." *Education News in Alabama*, August 20-31, 2001.

⁴ "Alabama Public Education Employees' Health Insurance Plan: Report of Actuary on the Retiree Medical Valuation—Prepared as of September 30, 2009."

⁵ Pew Center on the States, "The Trillion Dollar Gap: Underfunded State Retirement Systems and the Roads to Reform." Washington, D.C. February 2010, p. 5. Available at <<http://tinyurl.com/ygs6d6v>>. Access verified July 14, 2010.

these liabilities over a 30-year period.⁶ If these liabilities are ignored or contributions to pay them not fully funded, a government's credit ratings will be downgraded, making it more expensive for them to issue bonds. In Illinois, for example, the state's bond ratings have been downgraded twice since June because the state's FY 2011 budget does nothing to fix its annual operating deficit and unfunded liabilities. Unless Illinois takes significant action to restructure its budget, at least one ratings company says future downgrades are possible.⁷

Alabama, like other state governments, has operated the state's health and pension benefits plans on a pay-as-you-go basis, meaning only current costs were paid. Because future liabilities are hidden, most legislatures, including Alabama's, do not appropriate enough funding to keep the pension systems adequately funded, resulting in plans with assets well below their liabilities.⁸ To meet an anticipated shortfall of \$255 million in FY 2011, the PEEHIP Board of Control raised insurance premiums and copays on its members, changed its prescription drug carrier, changed several of its medical plans, and took \$60 million from its \$670 million Trust Fund.⁹

Importance of the PEEHIP Issue

The longer Alabama and other states wait to address the problem of unfunded liabilities, the harder it will be to pay for them. Changing demographics and increasing medical costs driven by technology will worsen the problem of unfunded retiree healthcare benefits in states like Alabama, where funding is contingent on taxpayer dollars. By 2030, Americans over 65 are expected to comprise almost 20 percent of the population,¹⁰ the total number of elderly over age 85 will increase 600 percent in the next 50 years, and those over 100 will increase 16-fold.¹¹

Taxpayers, many of whom already perceive state/teacher employee benefits to be excessive compared with the private sector, may rebel over the size of the PEEHIP liability and refuse to enact tax increases to provide funding.¹² Future generations of Alabama taxpayers may balk at paying for the retiree healthcare benefits of their parents and grandparents.

⁶ Governmental Accounting Standards Board, "Summary of Statement No. 45: Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions." June 2004. Available at <<http://tinyurl.com/32zjx5>>. Access verified July 13, 2010.

⁷ John Kell, "Fitch Lowers Illinois Bond Rating on Budget Woes." *Dow Jones Newswire*, June 11, 2010. Available at <<http://tinyurl.com/5tvaqwf>>. Access verified March 3, 2011.

⁸ Alabama's pension plan for its employees is also in trouble. According to a February 2010 report from the Pew Center on the States, the RSA's total liability for state and education employee pensions is \$40.2 billion with \$31 billion in pension assets, leaving \$9.2 billion in unfunded liabilities. Source: "The Trillion Dollar Gap."

⁹ RSA, "Changes in PEEHIP Premiums, Benefits & Policies." *PEEHIP Advisor*, June 2010, p. 1. Available at <<http://tinyurl.com/27mh7l6>>. Access verified July 29, 2010.

¹⁰ U.S. Census Bureau, "Table 2a. Projected Population of the United States, by Age and Sex: 2000 to 2050." In U.S. Interim Projections by Age, Sex, Race, and Hispanic Origin: 2000-2050 (website). March 18, 2004. Available at <<http://tinyurl.com/dbtavk>>. Access verified March 3, 2011.

¹¹ Peter Peterson, "Houston, We Have a Problem." *RSA Advisor*, May 2002.

¹² L. Scism, "Public Pensions are So Underfunded That Trouble is Likely." *Wall Street Journal*, April 6, 1994.

The graying of current PEEHIP members is also bound to place additional stress on the ability of active members to pay for the healthcare benefits of those who have already retired. The more active employees there are to support each retiree, the greater the ability of the fund to meet its obligations. In fact, since PEEHIP was started in 1983, the ratio of active employees to retirees has dropped from 4:1—four “actives” for each retiree—to 1.89:1 in 2008.

One of the reasons for the sharp drop in this ratio is that Alabama’s teacher population is retiring earlier and living longer. If a teacher starts a career at age 22, retires with 25 years of service at age 47, and lives to age 87 (based on standard actuarial assumptions), he will be retired 15 years longer than he actually worked. Because of these events, the RSA and almost every other government employee retirement system in the nation is experiencing the same difficulties with solvency as the federal government is with Medicare and Social Security.

Alabama’s PEEHIP Program

Alabama provides healthcare benefits to full-time and permanent part-time education employees through PEEHIP by statute.¹³ Employees who retire from the RSA and draw a monthly annuity may continue their health insurance coverage under PEEHIP and have their premiums deducted from their monthly benefit payments.¹⁴ As of February 28, 2011, PEEHIP had 138,028 members, and covered another 147,209 dependents (see Table 1).¹⁵

Table 1: PEEHIP Members as of February 28, 2011

	Total	Dependents	Number in Category w/ Tobacco Surcharge
Single Active Employee (no dependents)	30,811	0	3,486
Family Active Employees (dependents)	53,481	120,837	11,400
Single Non-Medicare Eligible Retiree (under age 65)	7,340	0	962
Family Non-Medicare Eligible Retiree (all under 65)	10,015	13,710	2,020
Single Medicare Eligible Retirees (age 65 and older)	23,719	0	2,181
Family Medicare Eligible Retirees (all age 65 and older)	12,662	12,662	2,021
Total Membership	138,028	147,209	22,070

¹³ Code of Alabama 1975, § 36-29-10. Available at <<http://tinyurl.com/49uovqo>>. Access verified March 3, 2011.

¹⁴ If, however, a PEEHIP member “(1) retires after September 20, 2005, (2) becomes employed by another employer that (3) provides at least 50 percent of the cost of single health insurance coverage, and (4) are eligible to receive the other employer group health insurance coverage, they must use the other employer’s health benefit plan for primary coverage.” Source: RSA, *PEEHIP Member Handbook*, p. 17. Available at <<http://tinyurl.com/4snnr38>>. Access verified March 3, 2011.

¹⁵ Source: RSA, personal communication, March 10, 2011. There are PEEHIP non-Medicare eligible retirees with dependent coverage where one or more family members may be Medicare-eligible, and there are those who are Medicare-eligible with family members who are non-Medicare eligible. These are intentionally omitted from the study because of their small numbers.

The Public Education Employees Health Insurance Fund (PEEHIF) was established in 1983 by statute¹⁶ to provide a uniform plan of health insurance for current and retired employees of state educational institutions and to provide a method for funding the benefits related to the plan. It is administered by the Public Education Employees' Health Board (PEEHIB).¹⁷

Table 2 lists the total cost of coverage for PEEHIP members and their most recent premium rates. The state pays practically all of the premiums for singles who are active employees. As of October 1, 2010, the monthly premium of \$2 charged to single active Teacher Retirement System (TRS) members was raised to \$15, and the premium for active employees with families was raised from \$134 to \$177.¹⁸ Because the state of Alabama pays \$752 a month to provide health insurance for every single active PEEHIP member—under either single or family coverage—employees have more than \$9,000 worth of benefits per year they would otherwise have to pay.

Table 2: Monthly PEEHIP Rates and Member Premiums, October 1, 2010 to September 30, 2011¹⁹

	Total Coverage Cost	State Pays	Premiums	
			Member Pays	With \$27 Tobacco Surcharge
Single Active Employee (no dependents)	\$767	\$752	\$15	\$42
Family Active Employees (dependents)	929	752	177	204
Single Non-Medicare Eligible Retiree (under age 65)	701	555	146	173
Family Non-Medicare Eligible Retiree (all under 65)	1,281	900	381	408
Single Medicare Eligible Retirees (age 65 and older)	369	359	10	37
Family Medicare Eligible Retirees (all age 65 and older)	750	641	109	136

Alabama: What PEEHIP Costs

PEEHIP premiums for FY 2010-2011 will cost the state of Alabama approximately \$1.3 billion per year, or about \$9,450 per member (see Table 3). This cost is up 107 percent from \$630 million in 2003. PEEHIP members spend \$243 million per year to cover their share, about \$1,761 per member. Put another way, for every dollar state education employees spend for health insurance, the state spends about five dollars.

¹⁶ Code of Alabama, Act 83-455.

¹⁷ Public Education Employees' Health Insurance Fund, *Financial Statements for the Fiscal Year Ended September 30, 2010*. January 28, 2011, p. 8. Available at <<http://tinyurl.com/642s9pa>>. Access verified March 3, 2011.

¹⁸ RSA, *PEEHIP Member Handbook*, pp. 22-23.

¹⁹ *Ibid*. The rates for retirees apply only to those who retired prior to October 1, 2005, or members who retired on or after October 1, 2005 with at least 25 years of service.

Table 3: Monthly Premiums for PEEHIP Members, by Type and Tobacco Surcharge

No Surcharge	Number	Premium	Amount Paid By		Percent Paid by		Total (\$000) Paid by	
			State	Member	State	Member	State	Members
Active Employees								
Single	30,811	\$767	\$752	\$15	98.0%	2.0%	\$23,170	\$462
Family	53,481	929	752	177	80.9	19.1	40,128	9,466
Retirees								
Non-Medicare								
Single	7,340	701	555	146	79.2	20.8	4,074	1,072
Family	10,015	1,281	900	381	70.3	29.7	9,014	3,816
Medicare								
Single	23,719	369	359	10	97.3	2.7	8,515	237
Family	12,662	750	641	109	85.5	14.5	8,116	1,380
Monthly Total							\$93,106	\$16,433
Annual Total							\$1,117,275	\$197,196

Tobacco Surcharge	Number	Premium	Amount Paid By		Percent Paid by		Total (\$000) Paid by		
			State	Member	State	Member	State	Member	
Active Employees									
Single	3,486	\$794	\$752	\$42	94.7%	5.3%	\$2,621	\$146	
Family	11,400	956	752	204	78.7	21.3	8,573	2,326	
Retirees									
Non-Medicare									
Single	962	728	555	173	76.2	23.8	534	166	
Family	2,020	1,308	900	408	68.8	31.2	1,818	824	
Medicare									
Single	2,181	396	359	37	90.7	9.3	783	81	
Family	2,021	777	641	136	82.5	17.5	1,295	275	
Monthly Total							\$15,625	\$3,818	
Annual Total							\$187,495	\$45,818	
Monthly Grand Total							\$108,731	\$20,251	
Yearly Grand Total							\$1,304,770	\$243,014	
							State	Member	
							Cost per year paid by	\$9,453	\$1,761

PEEHIP v. Health Insurance Costs in Other States

Table A-1 in the appendix provides the premium rates for single and family coverage for 39 of the 50 states, as divided by region. Differences in premiums are caused by more than the generosity of each plan’s provisions; other factors such as regional healthcare costs and employee demographics also influence the total cost of healthcare.

Single Employee Coverage Rates

The premium for single coverage in Alabama is \$767 per month, the highest rate among the southern states. Alabama is one of only 11 states—six of which are in the southern region—that pays practically the entire premium cost of single active employees who do not use tobacco. At present, the employee cost for PEEHIP in Alabama is only \$15 per month for basic healthcare, including drug coverage. Supplemental coverage plans for vision, cancer, and indemnity insurance

are also available for \$38 per month per plan, while supplemental dental coverage is \$45 per month.²⁰ Tobacco users must pay a monthly surcharge of \$27 for their coverage.

The national average total premium for a single employee is \$520 per month, with the average state paying 88 percent of the employee's healthcare premium. Among the 15 southern states that provided information in this report, the average premium is \$470, with the average paying 87 percent of the premium.²¹

Family Coverage Rates

In Alabama, the premium for family coverage is \$929 per month, of which 80.9 percent is paid by the state. For families, the average national premium is \$1,203 per month, with the state paying 78 percent of the cost for coverage. As with single employees, a \$27 PEEHIP surcharge is required for tobacco users, but only one surcharge is required per family. Among the southern states, the average cost for families was lower than the national average (\$1,129), with states paying an average of 72 percent less. Only Alaska and North Dakota pay 100 percent of the premium.

The Cost of Retiree Healthcare PEEHIP Premiums

Tables A-2 and A-3 in the appendix provide the premium information for retirees in 33 states, including all education retirees in Alabama. Retiree healthcare costs are driven by the member's age upon retirement. In Alabama there is no minimum retirement age, so an employee who begins work at age 22 and works 25 years can retire at age 47 and draw full benefits. These younger retirees cost the state much more than those who are Medicare-eligible as Medicare becomes the primary payer when the individual turns 65. Another factor contributing to the PEEHIP crisis is high retiree healthcare costs. Very few states pay 100 percent of the premium cost for their retirees. Rather, the most common payment is nothing. For retirees without Medicare coverage, at least 11 states offer no premium assistance; at least 11 states pay nothing for Medicare-eligible retirees.

Single Retiree Coverage Rates: No Medicare Coverage

In Alabama, the premium for a single retiree is \$701 per month, with the state paying 79 percent of the premium. This compares to a national average of \$578 per month, with states paying 46 percent of the premium; among southern states, the average premium is \$502, with states paying 58 percent of the premium. As with active employees, all retirees in PEEHIP who use tobacco must pay a \$27 surcharge, and supplemental coverage plans for other insurance are also available.

Retiree-and-Spouse Coverage Rates: No Medicare Coverage

The premium for an Alabama retiree and spouse who are not yet eligible for Medicare is \$1,281—higher than every other state in the South except Arkansas but about the same as the national average (\$1,288). The state pays 70 percent of this premium, less than Georgia, Kentucky (both 75 percent), Tennessee and Maryland (both 80 percent), Delaware, and Texas (both 100 percent).

²⁰ RSA, *PEEHIP Member Handbook*, p. 6.

²¹ For Appendix Tables A-1 to A-3, healthcare premium data for each state is from its employee benefits website.

Single Medicare-Eligible Retiree Rates

In Alabama, the premium for a single, Medicare-eligible retiree is \$369 per month, of which the state pays 97.3 percent of the cost. By comparison, the average premium nationwide is \$352, with the average state paying 46 percent of this cost. Among the southern states, the average is \$315 per month, with the typical state paying 62 percent of the premium.

Retiree-and-Spouse Medicare-Eligible Coverage Rates

The premium for an Alabama retiree and spouse who are eligible for Medicare is \$750, with the state paying 85 percent of this cost. This compares to a national average of \$697, with the average state paying 39 percent of the premium. Among the southern states, the average premium is \$601, with states paying half of the premium. Only five states pay more—Massachusetts (85 percent), Georgia (88 percent), West Virginia (91 percent), Delaware, and Michigan (100 percent each).

Unfunded Liabilities: How Alabama Ranks

According to the aforementioned study by the Pew Center on the States, Alabama’s unfunded liability for healthcare and other non-pension benefits in 2008 was \$15.5 billion. This equates to a per-capita liability of approximately \$3,335, the third highest among the southern states (see Table 4). Note that the study takes into account both healthcare and other non-pension benefits, so these numbers are higher than the actual cost of healthcare liabilities alone.

Table 4: 2008 Per-Capita Unfunded Healthcare Liability Estimates²²

State	Unfunded Liability (FY 2008)	2008 Population	Per-Capita Healthcare Liability	Rank
Alabama	\$15,549,411,000	4,661,900	\$3,335	3
Arkansas	1,822,241,000	2,855,390	638	11
Delaware	5,409,600,000	873,092	6,196	1
Florida	3,081,834,000	18,328,340	168	15
Georgia	18,322,123,000	9,685,744	1,892	9
Kentucky	11,660,245,000	4,269,245	2,731	6
Louisiana	12,542,953,000	4,410,796	2,844	5
Maryland	14,723,420,000	5,633,597	2,614	7
Mississippi	570,248,000	2,938,618	194	14
North Carolina	28,741,560,000	9,222,414	3,116	4
Oklahoma	359,800,000	3,642,361	99	16
South Carolina	8,638,076,000	4,479,800	1,928	8
Tennessee	1,746,879,000	6,214,888	281	13
Texas	28,611,584,000	24,326,974	1,176	10
Virginia	2,621,000,000	7,769,089	337	12
West Virginia	6,108,398,000	1,814,468	3,366	2

²² Unfunded liability data: “The Trillion Dollar Gap,” p. 6. Population data: U.S. Census Bureau, “National and State Population Estimates: Annual Population Estimates 2000 to 2008.” December 22, 2008. Available at <<http://tinyurl.com/3x7fxpg>>. Access verified July 14, 2010.

Recommendations for Funding PEEHIP in Alabama

With Alabama facing one of the largest per-capita unfunded healthcare liabilities in the South, the state must modify PEEHIP benefits to reduce the liability.

The funding needed to keep PEEHIP solvent illustrates the need for PEEHIP members to raise their contributions to maintain the fund. Tables A-4 through A-8 in the appendix provide an idea of the savings that could be realized if members paid a larger part of their premiums.

- One option would be to move from PEEHIP members giving defined dollar amounts to a flat, across-the-board percentage. If all premiums were raised to 20 percent of their total cost, an additional \$72.2 million per year would be saved (see Table A-4), plus it would give a reduction in rates to retirees and their spouses who are not yet eligible for Medicare.
- Another approach would be to adjust premiums to either the state or national averages. If the rates of only active employees were adjusted, \$99.6 million extra could be raised using regional averages, while an additional \$52.5 million could be raised using national averages (see Tables A-5 and A-6). If the rates of all PEEHIP members—active and retired—were adjusted, an extra \$237.3 million per year would be raised using regional averages, while an additional \$254.2 million would be generated using national averages (see Tables A-7 and A-8).
- Many spouses of state employees are also employed, and most have access to health insurance at their place of business. These spouses could be encouraged to keep their own coverage, shifting these costs away from taxpayers and to the private sector. For retired state employees, the state could consider paying nothing for non-Medicare family coverage and let the spouse's insurance cover them until they qualify for Medicare benefits.

Effective October 1, 2010, PEEHIP members who buy drugs from associated pharmacies will pay \$6 for any covered generic prescription drug, \$40 for any preferred brand drug, or \$60 for any non-preferred brand drug. The Board should consider an annual percentage increase of this amount for all PEEHIP members to help offset some of the increasing costs of prescriptions. A reasonable systematic percentage adjustment should be applied each year.

Recommendations for Retirees. Alabama is one of many states whose employment and healthcare plans allow employees to retire early and keep their healthcare insurance at a reasonable price until they reach age 65 (and Medicare coverage). In Alabama, the 20,337 members of the PEEHIP system who have retired before age 65 cost the state more than \$185.2 million annually in health insurance premiums.

- Alabama should set a minimum age for retirees tied to age and years of service. The “rule of 85” is often used, meaning an employee would need their age plus years of service to equal 85 before they could retire. This requirement would immediately stop employees from retiring at age 47 and drawing a full pension while becoming vested elsewhere with another employer. A 55-year-old would need 30 years of service for full-retirement and a 60-year-old would need 25 years. The “rule of 80” (requiring age plus service to equal 80) has been mentioned;

however, the annual savings from allowing a 50-year-old to reach full retirement with 30 years of service would be an estimated \$11 million annually. While estimates on the “rule of 85” are not currently available to the public, there should be substantially more savings to the state.

- Additional cost savings would result if the RSA would adopt one of the following policies for non-Medicare eligible retirees:
 - Alabama can reduce the current percentages paid towards the non-Medicare eligible premium from 76.2 percent for singles and 68.8 percent for families to a lower rate of 50 percent for each group. This approach would both discourage younger members from retiring prior to age 65 and reduce PEEHIP costs by \$57.8 million per year (see Table A-9 in the appendix).
 - The state could opt to cover the member with the single premium at an increased percentage for the retiree but not contribute toward the family coverage. Thus, the state would pay only about \$555 of the \$1,281 family premium, giving the member the choice of making up the difference. In addition to saving the state about \$49.8 million a year in premium payments, this approach would encourage married employees with a spouse employed in the private sector to carry their own coverage and shift part of the cost to the private sector.
 - Another approach would be to adopt the approach of paying nothing or a very small percentage towards the premium for the service member, thus discouraging any member from retiring prior to 65 when the cost of the premium declines significantly due to Medicare.

Conclusion

Alabama’s PEEHIP program needs an immediate comprehensive strategy for cost containment and pre-funding of PEEHIP benefits for future retirees. Of the three options available—raising taxes, reducing government spending, and reforming PEEHIP—only the latter two have the potential to both save the state money and keep the state’s economy from further harm. With these conclusions in mind, the following recommendations are made:

- Efforts must be made to scale back the size and cost of state and local government, both in terms of the number of employees and the amount of total compensation paid them.
- Increase premiums to an across-the-board percentage. Suggested premiums (and their consequent savings per year) could be a flat 20 percent for all groups (\$72.2 million), regional averages (\$99.6 million for active members; \$237.3 million for all members), and national averages (\$52.5 million for active members; \$254.2 million for all members).
- Adopt the “rule of 85” requiring retirees to have a combination of age plus service equal to 85. A “rule of 80” could be adopted for those longer-term employees currently members of the

RSA where they would retire at a younger age but for a reduced pension and for a significantly increased premium cost. PEEHIP members within 24 months of their 25-year retirement could be grandfathered and asked to pay an increased portion of the PEEHIP premium.

- For non-Medicare retirees, provide only half of the premium for singles and families to discourage retiring prior to Medicare eligibility when the premiums significantly decrease.
- Pay a smaller portion of the non-Medicare eligible family member premium and require the member to pay the remainder. Thus, members with spouses who have other insurance would benefit by choosing single-only coverage, and the state would save about \$49.8 million a year by not paying the increased cost of family premiums.
- Adopt a reasonable annual percentage increase to the PEEHIP drug deductible to reflect the increases in prescription drug costs thereafter.

Appendix—Table A-1: Employee Monthly Premium Rates for the Most Prevalent Plan, by Coverage Type

Region (State)		Active Employee – Single Coverage					Active Employee – Family Coverage			
Year	Plan Type	Total Premium	Employee Share	State Share	Percentage State Share	Total Premium	Employee Share	State Share	Percentage State Share	
South										
Alabama	2010	PPO	\$767	\$15	\$752	98%	\$929	\$177	\$752	81%
Arkansas	2010	POS	394	96	298	76	1,048	420	629	60
Delaware	2011	PPO	587	73	515	88	1,524	193	1,331	87
Florida	2011	PPO	524	50	474	90	1,184	180	1,004	85
Georgia	2010	HMO	401	100	301	75	982	245	736	75
Kentucky	2010	PPO	486	0	486	100	1,254	288	965	77
Louisiana	--	--	--	--	--	--	--	--	--	--
Maryland	2011	PPO	434	87	348	80	1,086	217	869	80
Mississippi	2011	PPO	356	0	356	100	949	593	356	38
North Carolina	2011	Indemnity	411	0	411	100	901	490	411	46
Oklahoma	2010	HMO	535	0	535	100	1,727	160	1,566	91
South Carolina	2010	Indemnity	354	93	261	74	711	109	603	85
Tennessee	2010	POS	439	241	198	45	1,096	603	493	45
Texas	2011	PPO	411	0	411	100	1,200	395	806	67
Virginia	2011	PPO	500	43	457	91	1,352	150	1,202	89
West Virginia	2011	HMO	458	77	381	83	997	219	778	78
Average			\$470	\$58	\$412	87%	\$1,129	\$296	\$833	72%
Northeast										
Connecticut	--	--	--	--	--	--	--	--	--	--
Maine	2011	POS	728	73	655	90	1,197	116	1,081	90
Massachusetts	2011	Indemnity	959	192	767	80	2,227	445	1,782	80
New Hampshire	2010	HMO	533	60	473	89	1,967	60	1,907	97
New Jersey	2010	POS	--	--	--	--	--	--	--	--
New York	2009	Indemnity	382	38	343	90	952	181	771	81
Pennsylvania	--	--	--	--	--	--	--	--	--	--
Rhode Island	--	--	--	--	--	--	--	--	--	--
Vermont	2010	POS	280	56	224	80	771	154	617	80
Average			\$576	\$84	\$492	86%	\$1,423	\$191	\$1,232	86%
Midwest										
Illinois	2009	--	\$458	\$46	\$412	90%	\$844	\$128	\$716	85%
Indiana	--	--	--	--	--	--	--	--	--	--
Iowa	2010	Indemnity	712	0	712	100	1,423	243	1,181	83
Kansas	2010	PPO	455	19	436	96	1,269	335	934	74
Michigan	2010	PPO	490	25	441	90	1,354	135	1,218	90
Minnesota	2010	HMO	447	0	447	100	1,315	130	1,185	90
Missouri	2010	PPO	482	31	451	94	1,517	281	1,236	82
Nebraska	2011	PPO	635	133	502	79	2,255	474	1,781	79
North Dakota	2011	Indemnity	826	31	826	100	826	31	826	100
Ohio	--	PPO	--	--	--	--	--	--	--	--
South Dakota	--	--	--	--	--	--	--	--	--	--
Wisconsin	--	HMO	--	--	--	--	--	--	--	--
Average			\$563	\$36	\$528	94%	\$1,350	\$220	\$1,135	85%
West										
Alaska	2011	PPO	\$1,088	\$0	\$1,088	100%	\$1,001	\$0	\$1,001	100%
Arizona	2010	EPO	523	39	484	93	1,442	178	1,264	88
California	2010	HMO	504	111	393	78	1,009	787	222	22
Colorado	2010	HMO	422	71	351	83	1,254	386	869	69
Hawaii	2010	PPO	274	137	137	50	849	425	423	50
Idaho	2010	PPO	711	30	681	96	790	109	681	86
Montana	2010	PPO	642	0	642	100	828	149	679	82
Nevada	2011	HMO	365	55	311	85	972	255	717	74
New Mexico	2010	HMO	342	68	273	80	1,008	202	806	80
Oregon	2011	PPO	470	--	--	--	1,457	--	--	--
Utah	--	PPO	--	--	--	--	--	--	--	--
Washington	2010	PPO	446	41	405	91	1,228	123	1,105	90
Wyoming	2010	PPO	577	26	551	95	1,406	157	1,249	89
Average			\$530	\$53	\$483	86%	\$1,104	\$252	\$820	75%
National Average			\$520	\$55	\$466	88%	\$1,203	\$254	\$942	78%

Table A-2: Monthly Premium Rates for Non-Medicare Eligible Retirees, by Coverage Type

Region (State)		Single Retiree Coverage				Retiree and Spouse Coverage			
South	Year	Total Premium	Retiree Share	State Share	Percentage State Share	Total Premium	Retiree Share	State Share	Percentage State Share
Alabama	2011	\$701	\$146	\$555	79%	\$1,281	\$381	\$900	70%
Arkansas	2010	686	528	87	13	1,372	1,214	87	6
Delaware	2011	463	0	463	100	1,197	0	1,197	100
Florida	2011	524	524	0	0	1,184	1,184	0	0
Georgia	2010	401	100	301	75	960	240	720	75
Kentucky	2010	486	0	486	100	1,128	282	846	75
Louisiana	2011	--	--	--	--	--	--	--	--
Maryland	2011	434	87	348	80	1,086	217	869	80
Mississippi	2011	409	409	0	0	856	856	0	0
North Carolina	2011	411	0	411	100	901	490	411	46
Oklahoma	2010	535	430	105	20	1,299	1,194	105	8
South Carolina	2010	354	93	261	74	752	238	515	68
Tennessee	2010	516	103	413	80	1,289	258	1,031	80
Texas	2011	411	0	411	100	886	0	886	100
Virginia	2011	500	500	0	0	1,352	1,352	0	0
West Virginia	2011	699	356	343	49	1,337	679	658	49
Average		\$502	\$218	\$279	58%	\$1,125	\$572	\$548	51%
Northeast									
Connecticut									
Maine	2011	686	0	686	100	1,436	718	718	50
Massachusetts	2011	1,020	153	868	85	2,371	356	2,015	85
New Hampshire	2010	934	65	869	93	1,872	130	991	53
New Jersey	2010	--	--	--	--	--	--	--	--
New York	2009	486	49	438	90	1,165	291	874	75
Pennsylvania	--	--	--	--	--	--	--	--	--
Rhode Island	--	--	--	--	--	--	--	--	--
Vermont	--	--	--	--	--	--	--	--	--
Average		\$782	\$67	\$715	92%	\$1,711	\$374	\$1,150	66%
Midwest									
Illinois	2009	--	--	--	--	--	--	--	--
Indiana	2010	--	--	--	--	--	--	--	--
Iowa	2010	712	712	0	0	1,666	1,666	0	0
Kansas	2010	498	498	0	0	1,321	1,321	0	0
Michigan	2010	639	64	575	90	1,277	128	1,149	90
Minnesota	2010	447	447	0	0	1,315	1,315	0	0
Missouri	2010	837	293	544	65	1,673	620	1,053	63
Nebraska	2011	635	635	0	0	2,255	2,255	0	0
North Dakota	2011	600	600	0	0	1,200	1,200	0	0
Ohio	--	--	--	--	--	--	--	--	--
South Dakota	--	--	--	--	--	--	--	--	--
Wisconsin	--	--	--	--	--	--	--	--	--
Average		\$624	\$464	\$160	22%	\$1,530	\$1,215	\$315	22%
West									
Alaska	2011	\$1,068	\$0	\$1,068	100%	\$1,068	\$0	\$1,068	100%
Arizona	2010	537	387	150	28	1,691	1,431	260	15
California	2010	314	314	0	0	412	412	0	0
Colorado	2010	--	--	--	--	--	--	--	--
Hawaii	2010	--	--	--	--	--	--	--	--
Idaho	2010	509	509	0	0	997	997	0	0
Montana	2010	642	642	0	0	872	872	0	0
Nevada	2011	610	392	218	36	1,488	722	766	51
New Mexico	2010	--	--	--	--	--	--	--	--
Oregon	2011	470	--	--	--	1,457	--	--	--
Utah	--	--	--	--	--	--	--	--	--
Washington	2010	440	440	0	0	874	874	0	0
Wyoming	2010	690	345	345	50	1,379	1,034	345	25
Average		\$587	\$379	\$223	27%	\$1,138	\$793	\$305	24%
National Average		\$578	\$278	\$301	46%	\$1,288	\$729	\$529	39%

Table A-3: Monthly Premium Rates for Medicare Eligible Retirees (Age 65 and Over), by Coverage Type

Region (State)		Single Retiree Coverage				Retiree and Spouse Coverage			
South	Year	Total Premium	Retiree Share	State Share	Percentage State Share	Total Premium	Retiree Share	State Share	Percentage State Share
Alabama	2011	\$369	\$10	\$359	97%	\$750	\$109	\$541	85%
Arkansas	2010	155	51	32	21	294	190	32	11
Delaware	2011	376	0	376	100	752	0	752	100
Florida	2011	278	278	0	0	556	556	0	0
Georgia	2010	474	59	415	88	949	119	830	88
Kentucky	2010	342	0	342	100	684	342	342	50
Louisiana	--	--	--	--	--	--	--	--	--
Maryland	2011	217	43	174	80	434	87	348	80
Mississippi	2011	162	162	0	0	324	324	0	0
North Carolina	2011	313	0	313	100	656	343	313	48
Oklahoma	2010	289	184	105	36	579	474	105	18
South Carolina	2010	336	75	261	78	716	202	515	72
Tennessee	2010	121	71	50	41	242	142	100	41
Texas	2011	411	0	411	100	884	236	647	73
Virginia	2011	516	258	0	0	516	516	0	0
West Virginia	2011	372	48	324	87	772	73	699	91
Average		\$315	\$83	\$211	62%	\$601	\$247	\$348	50%
Northeast									
Connecticut	--	--	--	--	--	--	--	--	--
Maine	2011	269	0	269	100	533	264	269	51
Massachusetts	2011	429	64	365	85	858	129	730	85
New Hampshire	2010	367	0	237	64	734	261	474	64
New Jersey	2010	--	--	--	--	--	--	--	--
New York	--	--	--	--	--	--	--	--	--
Pennsylvania	--	--	--	--	--	--	--	--	--
Rhode Island	--	--	--	--	--	--	--	--	--
Vermont	--	--	--	--	--	--	--	--	--
Average		\$355	\$16	\$290	83%	\$709	\$163	\$491	67%
Midwest									
Illinois	--	--	--	--	--	--	--	--	--
Indiana	2010	--	--	--	--	--	--	--	--
Iowa	2010	525	525	0	0	1,051	1,051	0	0
Kansas	2010	88	88	0	0	175	175	0	0
Michigan	2010	335	0	335	100	670	0	670	100
Minnesota	2010	302	302	0	0	604	604	0	0
Missouri	2010	365	128	237	65	730	254	476	65
Nebraska	2011	635	635	0	0	2,255	2,255	0	0
North Dakota	2011	232	232	0	0	461	461	0	0
Ohio	--	--	--	--	--	--	--	--	--
South Dakota	--	--	--	--	--	--	--	--	--
Wisconsin	--	--	--	--	--	--	--	--	--
Average		\$355	\$273	\$82	24%	\$849	\$686	\$164	24%
West									
Alaska	2011	\$1,068	\$1,068	0	0	\$1,068	\$1,068	0	0
Arizona	2010	400	300	100	25	1,055	885	170	16
California	2010	--	--	--	--	--	--	--	--
Colorado	2010	--	--	--	--	--	--	--	--
Hawaii	2010	--	--	--	--	--	--	--	--
Idaho	2010	231	231	0	0	448	448	0	0
Montana	2010	264	264	0	0	462	462	0	0
Nevada	2011	284	101	182	64	689	334	355	51
New Mexico	2010	--	--	--	--	--	--	--	--
Oregon	2011	226	166	60	27	452	332	120	27
Utah	--	--	--	--	--	--	--	--	--
Washington	2010	440	163	183	42	874	319	366	42
Wyoming	2010	434	261	173	40	857	685	173	20
Average		\$418	\$286	\$87	25%	\$738	\$520	\$148	20%
National Average		\$352	\$175	\$161	46%	\$697	\$407	\$273	39%

Table A-4: Monthly Premiums for PEEHIP Members, by Tobacco Surcharge—20 Percent Premium Payment

No Surcharge	Number	Premium	Amount Paid By		Percent Paid by		Total (\$000) Paid by		Extra Funds (\$000)
			State	Member	State	Member	State	Members	
Active Employees									
Single	30,811	\$767	\$614	\$153	80%	20%	\$18,906	\$4,726	\$4,264
Family	53,481	929	743	186	80	20	39,747	9,937	471
Retirees									
Non-Medicare									
Single	7,340	701	561	140	80	20	4,116	1,029	-43
Family	10,015	1,281	1,025	256	80	20	10,263	2,566	-1,250
Medicare									
Single	23,719	369	295	74	80	20	7,002	1,750	1,513
Family	12,662	750	600	150	80	20	7,597	1,899	519
Monthly Total							\$87,631	\$21,908	\$5,475
Annual Total							\$1,051,577	\$262,894	\$65,698

Tobacco Surcharge	Number	Premium	Amount Paid By		Percent Paid by		Total (\$000) Paid by		Extra Funds (\$000)
			State	Member	State	Member	State	Members	
Active Employees									
Single	3,486	\$794	\$614	\$180	77.3%	22.7%	\$2,139	629	\$482
Family	11,400	956	743	213	77.7	22.3	8,472	2,426	100
Retirees									
Non-Medicare									
Single	962	728	561	167	77.0	23.0	539	161	-6
Family	2,020	1,308	1,025	283	78.3	21.7	2,070	572	-252
Medicare									
Single	2,181	396	295	101	74.5	25.5	644	220	139
Family	2,021	777	600	177	77.2	22.8	1,213	358	83
Monthly Total							\$15,078	\$4,365	\$547
Annual Total							\$180,930	\$52,383	\$6,565
Monthly Grand Total							\$102,709	\$26,273	\$6,022
Annual Grand Total							\$1,232,507	\$315,277	\$72,264

Table A-5: Monthly Premiums for PEEHIP Members, by Tobacco Surcharge—Regional Averages for Active Members (Retiree Rates Unchanged)

No Surcharge	Number	Premium	Amount Paid By		Percent Paid by		Total (\$000) Paid by		Extra Funds (\$000)
			State	Member	State	Member	State	Members	
Active Employees									
Single	30,811	\$767	\$667	\$100	87.0%	13.0%	\$20,560	\$3,072	\$2,610
Family	53,481	929	669	260	72.0	28.0	35,772	13,911	4,445
Retirees									
Non-Medicare									
Single	7,340	701	555	146	79.2	20.8	4,074	1,072	--
Family	10,015	1,281	900	381	70.3	29.7	9,014	3,816	--
Medicare									
Single	23,719	369	359	10	97.3	2.7	8,515	237	--
Family	12,662	750	641	109	85.5	14.5	8,116	1,380	--
Monthly Total							\$86,051	\$23,488	\$7,055
Annual Total							\$1,032,611	\$281,860	\$84,664

Tobacco Surcharge	Number	Premium	Amount Paid By		Percent Paid by		Total (\$000) Paid by		Extra Funds (\$000)
			State	Member	State	Member	State	(\$000)	
Active Employees									
Single	3,486	\$794	\$667	\$127	84.0%	16.0%	\$2,326	\$442	\$295
Family	11,400	956	669	287	70.0	30.0	7,625	3,273	948
Retirees									
Non-Medicare									
Single	962	728	555	173	76.2	23.8	534	166	--
Family	2,020	1,308	900	408	68.8	31.2	1,818	824	--
Medicare									
Single	2,181	396	359	37	90.7	9.3	783	81	--
Family	2,021	777	641	136	82.5	17.5	1,295	275	--
Monthly Total							\$14,382	\$5,061	\$1,243
Annual Total							\$172,581	\$60,732	\$14,914
Monthly Grand Total							\$100,433	\$28,549	\$8,298
Annual Grand Total							1,205,192	\$342,592	\$99,578

Table A-6: Monthly Premiums for PEEHIP Members, by Tobacco Surcharge—National Averages for Active Members (Retiree Rates Unchanged)

No Surcharge	Number	Premium	Amount Paid By		Percent Paid by		Total (\$000) Paid by		Extra Funds (\$000)
			State	Member	State	Member	State	Members	
Active Employees									
Single	30,811	\$767	\$666	\$91	88.0%	12.0%	\$20,525	\$2,799	\$2,337
Family	53,481	929	725	204	78.0	22.0	38,753	10,930	1,464
Retirees									
Non-Medicare									
Single	7,340	701	555	146	79.2	20.8	4,074	1,072	--
Family	10,015	1,281	900	381	70.3	29.7	9,014	3,816	--
Medicare									
Single	23,719	369	359	10	97.3	2.7	8,515	237	--
Family	12,662	750	641	109	85.5	14.5	8,116	1,380	--
Monthly Total							\$88,997	\$20,234	\$3,801
Annual Total							\$1,067,965	\$242,808	\$45,612

Tobacco Surcharge	Number	Premium	Amount Paid By		Percent Paid by		Total (\$000) Paid by		Extra Funds (\$000)
			State	Member	State	Member	State	(\$000)	
Active Employees									
Single	3,486	\$794	\$666	\$118	85.0%	15.0%	\$2,322	\$411	\$264
Family	11,400	956	725	231	75.8	24.2	8,261	2,638	312
Retirees									
Non-Medicare									
Single	962	728	555	173	76.2	23.8	534	166	--
Family	2,020	1,308	900	408	68.8	31.2	1,818	824	--
Medicare									
Single	2,181	396	359	37	90.7	9.3	783	81	--
Family	2,021	777	641	136	82.5	17.5	1,295	275	--
Monthly Total							\$15,013	\$4,395	\$577
Annual Total							\$180,159	\$52,736	\$6,918
Monthly Grand Total							\$104,010	\$24,629	\$4,378
Annual Grand Total							\$1,248,124	\$295,544	\$52,530

Table A-7: Monthly Premiums for PEEHIP Members, by Tobacco Surcharge—Regional Averages for All Members

No Surcharge	Number	Premium	Amount Paid By		Percent Paid by		Total (\$000) Paid by		Extra Funds (\$000)
			State	Member	State	Member	State	Members	
Active Employees									
Single	30,811	\$767	\$667	\$100	87.0%	13.0%	\$20,560	\$3,072	\$2,610
Family	53,481	929	669	260	72.0	28.0	35,772	13,911	4,445
Retirees									
Non-Medicare									
Single	7,340	701	407	294	58.0	42.0	2,984	2,161	1,089
Family	10,015	1,281	653	628	51.0	49.0	6,543	6,286	2,471
Medicare									
Single	23,719	369	229	140	62.0	38.0	5,426	3,326	3,089
Family	12,662	750	375	375	50.0	50.0	4,748	4,748	3,368
Monthly Grand Total							\$76,034	\$33,505	\$17,072
Annual Grand Total							\$912,409	\$402,062	\$204,865

Tobacco Surcharge	Number	Premium	Amount Paid By		Percent Paid by		Total (\$000) Paid by		Extra Funds (\$000)
			State	Member	State	Member	State	(\$000)	
Active Employees									
Single	3,486	\$794	\$667	\$127	84.0%	16.0%	\$2,326	\$442	\$295
Family	11,400	956	669	287	70.0	30.0	7,625	3,273	948
Retirees									
Non-Medicare									
Single	962	728	407	321	55.8	44.2	391	309	143
Family	2,020	1,308	653	655	49.9	50.1	1,320	1,322	498
Medicare									
Single	2,181	396	229	167	57.8	42.2	499	365	284
Family	2,021	777	375	402	48.3	51.7	758	812	538
Monthly Total							\$12,919	\$6,524	\$2,706
Annual Total							\$155,029	\$78,284	\$32,467
Monthly Grand Total							\$88,953	\$40,029	\$19,778
Annual Grand Total							\$1,067,438	\$480,346	\$237,332

Table A-8: Monthly Premiums for PEEHIP Members, by Tobacco Surcharge—National Averages for All Members

No Surcharge	Number	Premium	Amount Paid By		Percent Paid by		Total (\$000) Paid by		Extra Funds (\$000)
			State	Member	State	Member	State	Members	
Active Employees									
Single	30,811	\$767	\$675	\$92	88.0%	12.0%	\$20,796	\$2,836	\$2,374
Family	53,481	929	725	204	78.0	22.0	38,753	10,930	1,464
Retirees									
Non-Medicare									
Single	7,340	701	322	379	46.0	54.0	2,367	2,778	1,707
Family	10,015	1,281	500	781	39.0	61.0	5,003	7,826	4,010
Medicare									
Single	23,719	369	170	199	46.0	54.0	4,026	4,726	4,489
Family	12,662	750	293	458	39.0	61.0	3,704	5,793	4,413
Monthly Total							\$74,650	\$34,890	\$18,457
Annual Total							\$895,795	\$418,677	\$221,480

Tobacco Surcharge	Number	Premium	Amount Paid By		Percent Paid by		Total (\$000) Paid by		Extra Funds (\$000)
			State	Member	State	Member	State	Members	
Active Employees									
Single	3,486	\$794	\$675	\$119	85.0%	15.0%	\$2,325	\$415	\$269
Family	11,400	956	725	231	75.8	24.2	8,261	2,638	312
Retirees									
Non-Medicare									
Single	962	728	322	406	44.3	55.7	310	390	224
Family	2,020	1,308	500	808	38.2	61.8	1,009	1,633	809
Medicare									
Single	2,181	396	170	226	42.9	57.1	370	493	413
Family	2,021	777	293	485	37.6	62.4	591	979	704
Monthly Total							\$12,894	\$6,548	\$2,730
Annual Total							\$154,732	\$78,582	\$32,764
Monthly Grand Total							\$87,544	\$41,438	\$21,187
Annual Grand Total							\$1,050,526	\$497,258	\$254,244

Table A-9: Monthly Premiums for PEEHIP Members, by Tobacco Surcharge—Non-Medicare Retirees Pay 50 Percent of Premium

No Surcharge	Number	Premium	Amount Paid By		Percent Paid by		Total (\$000) Paid by		Extra Funds (\$000)
			State	Member	State	Member	State	Members	
Active Employees									
Single	30,811	\$767	\$752	\$15	98.0%	2.0%	\$23,170	\$462	--
Family	53,481	929	752	177	80.9	19.1	40,218	9,466	--
Retirees									
Non-Medicare									
Single	7,340	701	351	351	50.0	50.0	2,573	2,573	\$1,501
Family	10,015	1,281	641	641	50.0	50.0	6,415	6,415	2,599
Medicare									
Single	23,719	369	359	10	97.3	2.7	8,515	237	--
Family	12,662	750	641	109	85.5	14.5	8,116	1,380	--
Monthly Total							\$89,006	\$20,533	\$4,100
Annual Total							\$1,068,076	\$246,395	\$49,199

Tobacco Surcharge	Number	Premium	Amount Paid By		Percent Paid by		Total (\$000) Paid by		Extra Funds (\$000)
			State	Member	State	Member	State	(\$000)	
Active Employees									
Single	3,486	\$794	\$752	\$42	94.7%	5.3%	\$2,621	\$146	--
Family	11,400	956	\$752	204	78.7	21.3	8,573	2,326	--
Retirees									
Non-Medicare									
Single	962	728	351	378	48.1	51.9	337	363	\$197
Family	2,020	1,308	641	668	49.0	51.0	1,294	1,348	524
Medicare									
Single	2,181	396	359	37	90.7	9.3	783	81	--
Family	2,021	777	641	136	82.5	17.5	1,295	275	--
Monthly Total							\$14,904	\$4,539	\$721
Annual Total							\$178,844	\$54,469	\$8,651
Monthly Grand Total							\$103,910	\$25,072	\$4,821
Annual Grand Total							\$1,246,920	\$300,864	\$57,850