

# MAINE STATE LEGISLATURE

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Date: 2-28-20

MAJORITY  
EDUCATION AND CULTURAL AFFAIRS

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STATE OF MAINE  
HOUSE OF REPRESENTATIVES  
129TH LEGISLATURE  
SECOND REGULAR SESSION

COMMITTEE AMENDMENT "A" to H.P. 141, L.D. 178, Bill, "An Act To Increase the State Share of the Cost of Health Insurance for Retired Teachers"

Amend the bill by striking out all of section 1 and inserting the following:

'Sec. 1. 20-A MRSA §13451, sub-§3, as amended by PL 2013, c. 368, Pt. H, §3, is further amended to read:

3. Payment by State. The State shall pay a percentage of the retired teacher members' share of this insurance according to the following schedule:

- A. Thirty percent until July 1, 2002;
- B. Thirty-five percent from July 1, 2002 to July 31, 2003;
- C. Forty percent from August 1, 2003 to December 31, 2005; and
- D. Forty-five percent after December 31, 2005; from January 1, 2006 to June 30, 2020; and
- E. Fifty-five percent after June 30, 2020.

Except for individuals who are receiving or who have received retirement benefits under Title 5, section 17907 or 17929, for a teacher who retires after July 1, 2012, the State shall begin paying the percentage of the retired teacher member's share pursuant to this subsection when the retiree reaches normal retirement age.

~~For the fiscal years ending June 30, 2012, June 30, 2013, June 30, 2014 and June 30, 2015, the State's total cost for retired teachers' health insurance premiums is budgeted at the fiscal year 2010-11 funding level adjusted for projected membership growth. The increase in the State's total cost for retired teachers' health insurance premiums for fiscal years ending after June 30, 2015 is budgeted at no more than any percentage increase in the Consumer Price Index as defined in Title 5, section 17001, subsection 9 plus 3%. A provider of a health insurance benefit plan for retired teachers must make available data related to the provider's premium costs and any related data as requested by the Executive Director of Health Insurance within the Department of Administrative and Financial Services.'~~

COMMITTEE AMENDMENT

COMMITTEE AMENDMENT "A" to H.P. 141, L.D. 178

1 Amend the bill by relettering or renumbering any nonconsecutive Part letter or  
2 section number to read consecutively.

3 **SUMMARY**

4 This amendment, which is the majority report of the committee, requires the State to  
5 pay 55% of a retired teacher's share of the premium for group accident and sickness or  
6 health insurance after June 30, 2020.

**FISCAL NOTE REQUIRED**  
(See attached)



# 129th MAINE LEGISLATURE

LD 178

LR 575(02)

## An Act To Increase the State Share of the Cost of Health Insurance for Retired Teachers

Fiscal Note for Bill as Amended by Committee Amendment *A(H-701)*

Committee: Education and Cultural Affairs

Fiscal Note Required: Yes

### Fiscal Note

|                                   | FY 2019-20 | FY 2020-21 | Projections<br>FY 2021-22 | Projections<br>FY 2022-23 |
|-----------------------------------|------------|------------|---------------------------|---------------------------|
| <b>Net Cost (Savings)</b>         |            |            |                           |                           |
| General Fund                      | \$0        | \$0        | \$3,533,224               | \$3,661,833               |
| <b>Appropriations/Allocations</b> |            |            |                           |                           |
| General Fund                      | \$0        | \$0        | \$3,533,224               | \$3,661,833               |

### Fiscal Detail and Notes

This bill increases the State's contribution for retired teachers health insurance premiums from 45% to 55% beginning in fiscal year 2020-21. At the same time and unrelated to this bill, the Maine Education Association Benefit Trust (MEABT) is transitioning from a Medicare companion plan to a Medicare Advantage Group plan effective July 1, 2020, significantly reducing the premiums for the over 8,300 people on this plan. The fiscal impact of this bill and the MEABT plan change for the 2020-2021 and 2022-2023 biennia is provided in the table below. The estimated savings to the State from the MEABT plan change is shown in column (b). The total cost associated with the increase in the State's contribution from 45% to 55% beginning in fiscal year 2020-21 is shown in column (f). The net cost of this bill and the plan change together are shown in column (g).

| Fiscal Year | Estimated annual cost to State without legislative changes (a) | Estimated savings from MEABT change to Medicare Advantage Group Plan (b) | Estimated annual cost to State with MEABT change to Medicare Advantage Plan (c) | State Share % (d) | Estimated annual cost to State with Enactment of LD 178 (as amended) (e) | Estimated cost of LD 178 (as amended) (f) | Net cost of annual Increase in State share and MEABT Plan change (g) |
|-------------|--|--|---|-------------------|--|---|--|
|             |  |  | (a + b)   |                   | (e / .45) * (d)  | (e - c)                                   | (e - a)  |
| FY20        | \$31,873,189   | \$0  | \$31,873,189  | 0.45              | \$31,873,189   | \$0                                       | \$0  |
| FY21        | \$32,266,964   | (\$3,077,432)  | \$29,189,533  | 0.55              | \$35,676,095   | \$6,486,563                               | \$3,409,131  |
| FY22        | \$33,441,481   | (\$3,189,450)  | \$30,252,031  | 0.55              | \$36,974,705   | \$6,722,674                               | \$3,533,224  |
| FY23        | \$34,658,751   | (\$3,305,546)  | \$31,353,205  | 0.55              | \$38,320,584   | \$6,967,379                               | \$3,661,833  |

The Retired Teachers Health Insurance program is currently budgeted to receive \$45.0 million in General Fund appropriations in both fiscal year 2019-20 and fiscal year 2020-21. Based on 8 months of actual expenditure data, it is estimated that the State will pay approximately \$31.9 million for its contribution for retired teachers health insurance premiums in fiscal year 2019-20. The State is also expected to apply \$10.0 million of the General Fund appropriation towards the unfunded actuarial liability (UAL) of the retired teachers health insurance plan pursuant to Title 5, §286-B, sub-§2. Given this information, expenditures for this program are expected to be less than current appropriations for fiscal year 2019-20 by approximately \$3.1 million (\$45.0 million - \$41.9 million). For fiscal year 2020-21, however, when the \$3.4 million cost of this provision and the plan change together (g) is added to the projected expenditures of \$32.3 million (a) along with another \$10.0 million being applied to the UAL, expenditures are projected to exceed appropriations by approximately \$0.676 million (\$45.0 million - 3.4 million - \$32.3 million - \$10.0 million). Funds appropriated to the Retired Teachers Health Insurance program are transferred to the Retiree Health Insurance Fund, an internal services fund within the Department of Administrative and Financial Services. Unexpended funds in this Fund are carried forward into the next fiscal year and may be used to pay future premium costs or applied to the normal or UAL costs of the retired teachers health insurance plan. It is the intent that a portion of the \$3.1 million in anticipated unexpended funds in fiscal year 2019-20 be used to cover the \$676,000 cost in fiscal year 2020-21 and no additional funding is required in fiscal year 2020-21.