



ARIZONA STATE SENATE
Forty-ninth Legislature, First Regular Session

PROGRAM PRESENTATION
Rural Healthcare Retirement Subsidy

Background

During the late 1990s, insurance providers in rural areas of Arizona stopped offering health maintenance organization (HMO) coverage to members of the Arizona State Retirement System (ASRS), Public Safety Personnel Retirement System (PSPRS), the Corrections Officer Retirement Plan (CORP) and the Elected Officials' Retirement Plan (EORP). Instead, many providers offered preferred provider organization coverage as the only managed care program available, which was more costly to plan members. According to ASRS, when the HMOs pulled out of the rural areas, premium costs for some rural retirees climbed by 300 percent.

Laws 2001, Chapter 376, authorized a temporary health insurance subsidy increase for retired members of a qualifying insurance plan who resided in "nonservice" areas in Arizona, effective July 1, 2001. A "nonservice" area is defined statutorily as an area that ASRS, the Arizona Department of Administration (ADOA) or a participating employer does not provide an HMO plan to its members. "Nonservice" areas were all areas outside of Pima and Maricopa counties. This temporary subsidy would have expired on July 1, 2003, but was extended three times and now expires on June 30, 2009. As of January 1, 2009, ADOA offered an Exclusive Provider Organization option to all counties. ASRS will begin to offer an HMO option to all counties on July 1, 2009.

Fiscal Information

The rural healthcare subsidy provides the following funding to members in nonservice areas:

For individual retiree coverage:

- Up to \$300 per month if the retired or disabled person is not eligible for Medicare.
- Up to \$170 if the retired or disabled member is eligible for Medicare.

For retiree family coverage:

- Up to \$600 per month if the retired or disabled member of one of the four specified retirement systems and one or more dependents are not eligible for Medicare.
- Up to \$350 per month if the retired or disabled member and one or more dependents are eligible for Medicare.

- Up to \$470 per month if the member is not eligible for Medicare, but one or more dependents are eligible for Medicare, or if the member is eligible for Medicare and one or more dependents are not eligible for Medicare.

According to ASRS, because the benefit supplement was temporary, it has not been directly included in the calculation of the contribution rates and is funded entirely by the ASRS Fund.

Committee Activity

- JLBC Staff gave a brief presentation on the history and purpose of the rural healthcare retiree subsidy.
- Pat Klein, Assistant Director of External Affairs for ASRS, fielded questions on the impact that rural retirees would face when the subsidy is repealed at the end of this fiscal year.

FY 2008-2009 Action

There is no anticipated impact to the rural healthcare retirement subsidy as a result of action taken in relation to the FY 2008-2009 budget.

Attachment

JLBC Presentation

Prepared by Senate Research
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JA/tam