Michigan Department of Civil Service (DCS)

State Retiree Health Plan Benefits

July 2007

Overview of Health Benefits

Active Employees

Authority:

Constitution

Benefits Set By:

Civil Service Comm.
(w/ collective bargaining)

Premium Sharing Set By:

Civil Service Comm.
(w/ collective bargaining)

Retirees

Authority:

Statutes

Benefits Set By:

DMB & Civil Service Commission

Premium Sharing Set By:

Statutes

Role of Civil Service Commission and DCS

Active Classified State Employees:

- The Commission has plenary authority over benefits of classified state employees (Article 11, Section 5, of the Michigan Constitution).
- The Commission has approved group health insurance plans for both exclusively represented and non-exclusively represented eligible classified state employees.
- The DCS administers the group health insurance plans for classified state employees.

Role of Civil Service Commission and DCS

Retired State Employees:

- Retirement systems for state employees and state police employees are created by statute (MCL 38.1, et seq., and MCL 38.1601 et seq.).
- The legislature has authorized the Commission and DMB to jointly approve group health, vision, and dental plans for state retirees.
- The Commission and DMB have approved medical benefit plans covering approximately 44,000 state retirees.
- DCS administers retiree statutory medical benefit plans in concert with the group insurance plans for active employees.
- The State's long standing practice is to pattern retiree medical benefits after group insurance plans in effect for active employees.
- Changes to the medical benefit plans covering state retirees are jointly authorized by the Commission and DMB.

Role of Civil Service Commission and DCS

- Statute (MCL 38.20d) requires health plan premiums for Defined Benefit Plan retirees be paid in the same proportion as for actives:
  - Current Health Plan premiums are 95% state-paid for retirees under 65, and 100% state-paid for Medicare Eligible Retirees or Dependents.
  - Dental and Vision premiums are 90% State-paid.
- For State Police, statute (MCL 38.1642) requires state to pay 95% of health plan premiums (*not proportional to plan for actives*).
- Statute (MCL 38.67a) requires different premium sharing structure for Defined Contribution Retirees:
  - 10 year vesting requirement with employer contribution of 3% for each year of service, capped at 90%.
- State Health Plan PPO, Vision, and Dental Plan designs are the same for Defined Benefit and Defined Contribution Plan Retirees.

State Retiree Health Plan Changes - Highlights

1997

- Major Medical Deductible increased from $50 to $100 per person and $100 to $200 per family.
- Out of Pocket Maximum increased from $500 to $750.
- Retail brand drug co-pays increased from $2 to $7.

1999

- Major Medical Deductible increased from $100 to $150 per person and $200 to $300 per family.
- Out of Pocket Maximum increased from $750 to $1000.

State Retiree Health Plan Changes – Highlights

2000

- Retail and mail order prescription drug co-pays increased from $2 to $5 for generic and from $7 to $10 for brand name drugs.
- Major Medical Deductible increased from $150 to $300 per person and from $300 to $600 per family.
- Smoking cessation benefits added.

2003

- State Health Plan moved from a Basic/Major Medical Plan to a PPO.
- Deductibles of $200/individual and $400/family applied to both basic and major medical services.
- Wellness and Preventive Service coverage.
- Retail and mail order prescription drug co-pays increased from $5 to $7 for generic and from $10 to $12 for brand name drugs.

State Retiree Health Plan Changes – Highlights

2004

- Prescriptions filled at retail pharmacies limited to a 34-day supply for a single co-pay.
- Moved from two-tier ($7/$15) prescription drug program to a three-tier program ($7/$15/$30).

2005

- Exclusive provider added for specialty oral and injectable medications.
- Drug Quantity Management Program.
- Gastrointestinal Care Management Program.
- Generic Drug Incentive Program.
- Aetna covered retirees transitioned to BCBSM.
- Implementation of Medicare Part D Prescription Drug Subsidy Program.

QUESTIONS