

## SENATE BILL NO. 259

INTRODUCED BY B. GLASER

A BILL FOR AN ACT ENTITLED: "AN ACT ESTABLISHING A PROGRAM TO ALLOW SCHOOL DISTRICTS TO PROVIDE SCHOOL DISTRICT EMPLOYEES WITH ACCESS TO FULL-YEAR GROUP HEALTH, MEDICAL, HOSPITALIZATION, SURGICAL, DISABILITY, AND OTHER RELATED GROUP BENEFITS UNDER A BASIC PLAN; AUTHORIZING TRUSTEES AND RETIREES TO ELECT TO RECEIVE HEALTH INSURANCE COVERAGE AT THEIR OWN EXPENSE; MAINTAINING COLLECTIVE BARGAINING FOR EMPLOYER CONTRIBUTIONS TOWARD PREMIUMS OR EXTENDED DEPENDENT OR RETIREE COVERAGE AND CONTRIBUTIONS FOR OTHER GROUP BENEFITS; CREATING THE SCHOOL DISTRICT EMPLOYEE HEALTH BENEFITS COUNCIL; AUTHORIZING THE COUNCIL TO HIRE AND MANAGE ITS OWN PERSONNEL AND TO ADOPT ADMINISTRATIVE RULES; AUTHORIZING THE BOARD OF INVESTMENTS TO PROVIDE A LOAN FOR IMPLEMENTATION OF THE SCHOOL DISTRICT EMPLOYEE HEALTH BENEFITS PLAN AND TO ESTABLISH INITIAL RESERVES; REQUIRING THE LOAN FROM THE BOARD OF INVESTMENTS FOR IMPLEMENTATION COSTS AND RESERVES TO BE REPAID FROM PREMIUMS WITHIN 2 YEARS; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND AN APPLICABILITY DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

**NEW SECTION. Section 1. Purpose.** The purpose of [sections 1 through 7] is to establish a program under which the state may provide all school district employees with access to uniform health insurance and other related group benefits in an efficient manner and at an affordable cost.

**NEW SECTION. Section 2. Definitions.** As used in [sections 1 through 7], the following definitions apply:

(1) "Basic plan" means a plan adopted by the council that provides group benefits for each employee and the employee's dependents.

(2) "Classified employee" means an employee who is not required to be certified under Title 20, chapter

4.

(3) "Council" means the council created in [section 3].

(4) "Department" means the department of administration provided for in 2-15-1001.

(5) "Employee" means a person employed by a public elementary or high school employer as defined in 20-6-101, a K-12 school district, as defined in 20-6-701, or an education cooperative, as described in 20-7-451.

(6) "Employer" means the governing board of any public elementary or high school district, as defined in 20-6-101, a K-12 school district, as defined in 20-6-701, or an education cooperative, as described in 20-7-451.

(7) (a) "Group benefits" means group health, medical, hospitalization, surgical, disability, and other similar and related group benefits provided to all employees, including flexible spending account benefits.

(b) The term does not include casualty insurance, as defined in 33-1-206, marine insurance, as authorized in 33-1-209 and 33-1-221 through 33-1-229, property insurance, as defined in 33-1-210, surety insurance, as defined in 33-1-211, and title insurance, as defined in 33-1-212.

(8) "Retiree" means:

(a) an employee who has terminated employment with an employer and who, at the time of termination, was continuously employed for a period of 10 or more school years, was 55 years of age or older, and was enrolled in a school district, cooperative, or statewide public school health benefit plan;

(b) an employee who has terminated employment with an employer and who, at the time of termination, was enrolled in a school district, cooperative, or statewide public school health benefits plan and was eligible for normal retirement pursuant to law or rules of the public employees' retirement system or the teachers' retirement system;

(c) an employee or trustee who was enrolled prior to July 1, 2003, as a retiree under terms of the employer's school district, cooperative, or statewide public school health benefits plan; or

(d) a trustee who terminated board trusteeship with a school district and who, at the time of termination, was continuously enrolled in either the school district's health plan or the statewide public school health benefits plan.

**NEW SECTION. Section 3. School district employee health benefits council -- appointment -- powers and duties -- exemption.** (1) There is a school district employee health benefits council.

(2) The council consists of seven members appointed to 4-year staggered terms by the governor as follows:

(a) one public school classroom teacher from a first-class elementary or high school district, as defined in 20-6-201 or 20-6-301, holding a class 1, 2, or 4 certificate pursuant to 20-4-106;

(b) one public school classroom teacher from a second-class or third-class elementary or high school district, as defined in 20-6-201 or 20-6-301, holding a class 1, 2, or 4 certificate pursuant to 20-4-106;

(c) one administrator from a first-class elementary or high school district;

(d) one administrator from a second-class or third-class elementary or high school district;

(e) one classified employee; and

(f) two public members.

(3) When a vacancy occurs, the governor shall designate any person meeting the requirements of the vacancy to fill the position.

(4) The council shall:

(a) serve in a fiduciary capacity as financial and benefits monitor for the school district employee health benefits plan and contract with plan and claims payment administrators, plan benefit managers and advisors, and actuaries as needed;

(b) design a basic plan and establish premium rates for school districts and employees;

(c) establish specifications for bids and accept or reject bids for administering the basic plan;

(d) establish deductibles and copayment levels and negotiate and administer contracts for a basic plan;

(e) periodically review the existing basic plan, claims experience, projections, and problems related to employee group benefits matters;

(f) establish, review, and revise provisions of the basic plan, local area health maintenance plans, and local network provider agreements and establish, review, and revise provisions of other group benefits plans offered by the council;

(g) annually determine benefit provisions and set premiums needed to fund group benefits, repay board of investment loans needed to implement [sections 1 through 7], provide reserves, and set premiums necessary for all other group benefits plans offered by the council;

(h) conduct claims and any financial and operational reviews that are necessary to properly monitor the performance of the group benefits plan vendors; and

(i) adopt rules to implement the requirements of [sections 1 through 7], including but not limited to rules to:

(i) determine timely and automated procedures for monthly enrollment of employees, retiree member enrollment eligibility, bid specifications, claims forms and procedures, claims distribution, appeal procedures, and the general administration and operation of the basic plan; and

(ii) authorize the board to establish default selection and rate preference election for circumstances when an employer does not notify the board of locally bargained or otherwise determined choices by June 1 of each year.

(5) The council shall include the costs of the council, administration of health benefits plans and claims processing, repayment of board of investment implementation and reserve loans as provided in [section 7], other benefits consultancy, and actuarial and auditing costs as part of the costs for the school district employee health benefits plan.

(6) The council is allocated to the department for administrative purposes only as described in 2-15-121, except that 2-15-121(2)(d) does not apply. The council may hire its own personnel.

(7) The council is designated as a quasi-judicial board for the purposes of 2-15-124, except that the requirement that at least one member be an attorney does not apply.

**NEW SECTION. Section 4. Mandatory group insurance for school district employees -- enrollment -- collective bargaining of supplemental plans.** (1) By July 1, 2003, the council shall adopt:

(a) a basic plan and may adopt one or more medicare supplement plans providing for health insurance benefits for each member and the member's dependents;

(b) an actuarially sound schedule of premiums for each adopted plan that offers all employers and employees by collective bargaining or for nonbargaining members by council policy the option of selecting a premium payment method. The council shall notify each school district and the department of the adoption of the premium structure adopted for the plan.

(2) By July 1, 2003, and by each succeeding July 1, employers shall notify the council of the employer's selection of the benefits plan or plans and the premium payment method for all eligible employee and retiree members.

(3) By the later of either July 1, 2003, or upon the expiration of a collective bargaining agreement that

1 is effective on June 30, 2003, a school district shall:

2 (a) enroll each eligible employee and provide group benefits under the basic plan as elected by the  
3 council; and

4 (b) enroll each retiree member who is eligible under [sections 1 through 7] and elects benefits coverage  
5 under the basic plan.

6 (4) Except as provided in subsection (8), an employer shall, by July 1, 2003, and monthly after that date,  
7 transfer to the council from any budgeted or nonbudgeted fund, as defined in 20-9-201, the premium amount  
8 determined by the council necessary to:

9 (a) insure and provide group benefits on behalf of each employee enrolled under the basic plan selected  
10 by the employer; and

11 (b) repay the loans provided by the board of investments under [section 7] to implement the  
12 administrative costs of the plan and establish initial reserves.

13 (5) (a) For an employee whose employment is covered by a collective bargaining agreement under Title  
14 39, chapter 31, an employer's selection of a basic plan and other group benefits pursuant to this section and an  
15 employer's and employee's contributions for a locally selected basic plan and other benefits made pursuant to  
16 subsection (1) or (2) must be determined by collective bargaining between the employer and the exclusive  
17 representative of the bargaining unit.

18 (b) For an employee whose employment is not covered by a collective bargaining agreement pursuant  
19 to Title 39, chapter 31, an employer's selection of a basic plan and other group benefits pursuant to this section  
20 and an employer's and employee's contributions for a locally selected basic plan and other benefits made  
21 pursuant to subsection (1) or (2) must be determined by an employer policy.

22 (6) The council may allow a retiree, at the time of retirement and at the retiree's expense, to be enrolled  
23 in the school district employee health benefits plan and receive health benefits under the basic plan adopted by  
24 the council.

25 (7) If by a collective bargaining agreement, the employer agrees to make payments for health and  
26 related insurance benefits for retired school personnel, the employer shall continue to provide benefits and make  
27 payments to the council pursuant to the terms of the collective bargaining agreement.

28 (8) The council may establish supplements to the basic plan for providing group benefits if the council:

29 (a) maintains group benefits plans on an actuarially sound basis; and

(b) maintains reserves sufficient to liquidate the incurred claims liability and other liabilities of group benefits plans.

(9) If premiums and other income collected in a fiscal year are insufficient to fully fund the claims liabilities and all expenses incurred under [section 3(5)] and [sections 6 and 7] for that year, premiums for the ensuing fiscal year must be increased to collect the revenue necessary to repay the losses.

(10) If premiums and other income collected in a fiscal year exceed the amount necessary to fully fund the claims liabilities and all expenses incurred under [section 3(5)] and [sections 6 and 7] for that year, premiums for the ensuing fiscal year must be reduced to return those profits to the plan participants.

(11) If benefits are added to or deleted from a plan, the premiums for the plan must be increased by amounts actuarially determined to be necessary to fully pay for the increased benefits or decreased by amounts actuarially determined to be saved by elimination of the benefits.

(12) The provisions of Title 33 do not apply to the council when exercising the powers and duties provided for in this section.

**NEW SECTION. Section 5. Administrative costs.** The council shall include the costs of administering and negotiating group benefits plans established under [sections 1 through 7], as well as the costs of hiring necessary consultants, actuaries, and auditors under [sections 1 through 7], as part of the cost for group benefits.

**NEW SECTION. Section 6. Biennial audit of group benefits plans required.** The health benefits plans established under [sections 1 through 7], whether established on a self-funded basis or not, must be audited every 2 years. The audit must cover the 2-year period since the last audit and be conducted by or at the direction of the legislative auditor.

**NEW SECTION. Section 7. Board of investment loan.** (1) If considered prudent under the provisions of 17-6-201, the board of investments may on July 1, 2003, provide to the council a loan of up to \$25 million for the biennium beginning July 1, 2003, and ending June 30, 2005, for the purpose of implementing the school district employee health benefits plan and to establish initial reserves for the school district employee health benefits plan.

(2) The loan provided for in subsection (1) must be issued pursuant to the Municipal Finance Consolidation Act of 1983 authorized in Title 17, chapter 5, part 16, and the repayment term established may not exceed a period of 2 years.

(3) For any loan provided under this section, the council shall establish and maintain a specific loan repayment account and shall repay the loans established in subsection (1) from premiums charged for the health benefits plan.

**NEW SECTION. Section 8. Codification instruction.** [Sections 1 through 7] are intended to be codified as an integral part of Title 2, chapter 18, and the provisions of Title 2, chapter 18, apply to [sections 1 through 7].

**NEW SECTION. Section 9. Implementation of staggered terms.** (1) To implement the staggered-term system provided for in [section 3], the first terms of the members are as follows:

- (a) two members shall serve 2-year terms;
- (b) two members shall serve 3-year terms; and
- (c) three members shall serve 4-year terms.

(2) Upon expiration of the terms provided for in subsection (1), each member shall serve a 4-year term.

**NEW SECTION. Section 10. Effective date.** [This act] is effective on passage and approval and applies to contracts entered into on or after July 1, 2003.

- END -