

## **BILL ANALYSIS**

Senate Research Center  
77R1211 PB-D

S.B. 127  
By: Staples  
Education  
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### **DIGEST AND PURPOSE**

Currently, the State of Texas does not contribute to the cost of the school district employee's health insurance. As proposed, S.B. 127 creates a pool of both active and retired school district employees and requires the state to contribute 35 percent of the employee's insurance premium cost to those school districts that participate.

### **RULEMAKING AUTHORITY**

Rulemaking authority is expressly granted to the Teacher Retirement System of Texas in SECTION 6 (Section 7A, Article 3.50-4, Insurance Code) of this bill.

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Sections 2(2) and (5), Article 3.50-4, Insurance Code, to redefine "carrier" and "health benefit plan" or "plan."

SECTION 2. Amends Section 3(a), Article 3.50-4, Insurance Code, to establish the Texas Public School Employees Group Insurance Program to provide for a health benefit plan or plans, rather than insurance plan, under this article and is authorized to provide other insurance coverages as provided by this article.

SECTION 3. Amends Section 5(a), Article 3.50-4, Insurance Code, to authorize the Teacher Retirement System of Texas (trustee) to adopt rules, plans, procedures, and orders reasonably necessary to implement this article, including establishment of minimum benefit and financing standards for group health benefits coverage and other coverage to be provided to all retirees, active employees, dependents, surviving spouses, and surviving dependent children; adoption of a timetable for the development of minimum benefit and financial standards for group coverage, establishment of group health benefit plans and other insurance plans, and the taking of bids for and awarding of contracts for group health benefits plans and other insurance plans; and contracting with an independent and experienced group insurance consultant or actuary, who does not receive commissions from any carrier, for advice and counsel in implementing and administering this program. Makes conforming and nonsubstantive changes.

SECTION 4. Amends Section 6, Article 3.50-4, Insurance Code, by amending Subsections (a), (c), and (f) and adding Subsection (h), to create a Health Benefit Advisory Committee, rather than Retirees Advisory Committee, composed of nine members appointed by the trustee. Requires the committee to hold public hearings on group health and other insurance benefits. Prohibits a person from being eligible for appointment as a member of the advisory committee if the person is required to register under Chapter 305 (Registration of Lobbyists), Government Code, rather than registering with the secretary of state under Article 6252-9c (Repealed), V.T.C.S. Provides that the advisory committee is not subject to Section 2110.008 (Duration of Advisory Committees), Government Code.

SECTION 5. Amends Section 7, Article 3.50-4, Insurance Code, as follows:

Sec. 7. New heading: PARTICIPATION BY RETIREE.

SECTION 6. Amends Section 7A, Article 3.50-4, Insurance Code, to prohibit a district from offering an alternative health benefit plan to its active employees during the period of its participation in the program. Deletes text regarding underwriting principles. Provides that a district is not eligible to receive state contributions for the funding of a group benefit plan for district employees if it elects not to participate in the program. Requires the trustee by rule to establish, rather than provide, minimum benefit standards for the program; other participation requirements for school districts as determined by the trustee to be necessary for the operation of the program, including restrictions on the ability of a school district to begin or discontinue participation, which is authorized to include a minimum period of participation and limited periods for elections to begin or discontinue participation, administrative fees to be paid by participating school districts to cover the trustee's administrative costs in administering, rather than extending, the program. Deletes text regarding active employees. Requires the trustee to provide basic group health benefits coverage for each active employee and authorizes the trustee to provide optional group coverages for active employees participating in the program. Requires the coverages to be equivalent to the coverages provided for state employees by the Employees Retirement System of Texas under the Texas Employees Uniform Group Insurance Benefits Act (Article 3.50-2, V.T.I.C.) and authorizes coverages to be combined with or similar to, but separate from, coverages provided to retirees. Requires the trustee by rule to define the requirements of the basic coverage. Deletes text regarding sum of premiums and administrative fees. Requires each active employee of a participating school district to participate in the basic coverage unless the employee specifically waives participation in writing. Requires each participating school district to contribute for each district employee covered by the program an amount not to exceed 65 percent, rather than equal to not less than 75 percent, of the cost for the employee only of the plans of group coverages authorized by the trustee for active employees, and authorizes school districts to contribute additional amounts for the cost of optional or dependent coverages selected by the employee. Sets forth that not later than September 1 of each year, the district is required to certify to the trustee the amount the district will contribute monthly toward the cost of coverage. Requires each active employee covered by the program to pay, through a deduction from the employee's compensation, that portion of the cost of employee-only coverage and optional coverage or dependent coverage selected by the employee that exceeds the amount of contributions for those coverages paid by the state and the employing school district. Requires the trustee to pay, from the fund, rather than deposit in the fund, the administrative costs incurred in extending the program to active employees and authorizes the trustee to use for that purpose any unexpended balance of the fees collected under Section 44(d), Chapter 812, Acts of the 73rd Legislature, 1993. Deletes text regarding portion used to conduct the survey required by Section 44. Deletes text regarding that collection of fees through the 1996-1997 school year. Requires the state, for each active employee covered by the program, to contribute in the manner provided by Section 16 of this article an amount equal to 35 percent of the cost for employee-only coverage under the plan of basic coverage authorized by the trustee for active employees. Authorizes the state to also make contributions to the fund in addition to those required by Section 16(b) of this article for the purpose of assisting in the expansion of the program to active employees. Deletes text regarding enrollment in the program for active employees.

SECTION 7. Amends Sections 8(e) and (h), Article 3.50-4, Insurance Code, to authorize the trustee to contract for and make available to all active employees optional group health benefit plans in addition to the basic plans. Authorizes the trustee to utilize a portion of the funds received for the Texas Public School Employees Group Insurance Program to offset some portion of costs paid by the retiree or active employee for optional coverage if such utilization does not reduce the period the program is projected to remain financially solvent by more than one year in a biennium. Requires any additional contributions for these optional plans to be paid for by the retiree, active employee, surviving spouse, or surviving dependent children. Makes conforming and nonsubstantive changes.

SECTION 8. Amends Section 9, Article 3.50-4, Insurance Code, to require each insurance carrier at such times, or upon such events, as designated by the trustee, to issue to each retiree, active employee, surviving spouse, or surviving dependent child covered, rather than insured, under this article a certificate of benefits, rather than insurance, that summarizes the provisions of the health benefit plan or other plan principally affecting the person.

SECTION 9. Amends Sections 10(a) and (b), Article 3.50-4, Insurance Code, to require the trustee to

make a written report to the commissioner, rather than the State Board of Insurance, concerning the coverages provided and the benefits and services being received by persons covered, rather than insured, under this article not later than the 180th after the end of each state fiscal year. Makes nonsubstantive changes.

SECTION 10. Amends Section 13, Article 3.50-4, Insurance Code, to make a conforming change.

SECTION 11. Amends Section 15(a), Article 3.50-4, Insurance Code, to require that all contributions from school districts are to be paid into the fund.

SECTION 12. Amends Sections 16(a)-(c), (f)-(i), Article 3.50-4, Insurance Code, to require the state to contribute as the state's contribution for coverage for retirees to the fund each fiscal year in an amount equal to .50 percent of the salary of each active employee. Requires the trustee to certify, for information and review, to the Legislative Budget Board and the budget division of the governor's office the amounts necessary to pay the contributions of the state to the fund for the basic group health benefit plans for active employees and retirees under this article, before the first day of November preceding each regular session of the legislature. Requires contributions allocated and appropriated under this article, rather than section, to be paid from the General Revenue Fund in equal monthly installments, based on the annual estimate certified by the trustee to the comptroller of public accounts for that year, and subject to any express limitations specified in the Act making the appropriation. Requires an employing district that fails to remit, before the 11th day after the last day of the month, all deposits, rather than member deposits, required by this article to be remitted by the district for the month to pay to the fund, rather than Texas public school retired employees group insurance fund, in addition to the deposits, interest on the unpaid amounts at the annual rate of six percent compounded monthly. Deletes text regarding state fiscal years beginning September 1, 1985 and September 1, 1990. Makes conforming and nonsubstantive changes.

SECTION 13. Amends Section 17(a), Article 3.50-4, Insurance Code, to require the trustee to study the operation and administration of this article, including surveys and reports on financing group insurance coverages and health benefit plans available to active employees and retirees, and the experience and projected cost of coverage and benefits. Makes a nonsubstantive change.

SECTION 14. Amends Section 19, Article 3.50-4, Insurance Code, to require the commissioner, rather than the State Board of Insurance, as requested by the trustee, to assist the trustee in carrying out this article.

SECTION 15. Amends Section 22.004, Education Code, as follows:

Sec. 22.004. GROUP HEALTH BENEFITS FOR SCHOOL EMPLOYEES. Authorizes each district to participate in the group health benefits program provided under Article 3.50-4, Insurance Code. Requires a district that does not elect to participate in the program described by Subsection (a) to make available to its employees group health coverage provided by a risk pool established by one or more school districts under Chapter 172 (Texas Political Subdivisions Uniform Group Benefits Program), Local Government Code, or under a policy of insurance on group contract issued by an insurer, a company subject to Chapter 20 (Group Hospital Service), Insurance Code, or a health maintenance organization under the Texas Health Maintenance Organization Act (THMOA) (Chapter 20A, V.T.I.C.). Requires the cost of the coverage provided under the program described by Subsection (a) to be paid by the state, the district, and the employees in the manner provided by Section 7A, Article 3.50-4, Insurance Code. Requires, rather than authorizes, the cost of the coverage provided under a plan adopted under Subsection (b) to be shared by the employees and the district without contributions by the state. Requires each district to report the district's compliance with this section, rather than subsection, to the trustee's executive director by a certain date. Provides that for a district that does not elect to participate in the program described by Subsection (a), the report must be based on the district group health coverage plan in effect during the current plan year. Provides that for each district that does not elect to participate in the program described by Subsection (a), and based on the criteria prescribed by Subsection (b), rather than Subsection (a), the executive director of the Teacher Retirement System of Texas is required to certify whether a

district's coverage is comparable to the basic health coverage provided under the Texas Employees Uniform Group Insurance Benefits Act (Article 3.50-2, V.T.I.C.). Prohibits a school district that does not elect to participate in the program described by Subsection (a) from contracting with an insurer, a company subject to Chapter 20, Insurance Code, or a health maintenance organization to issue a policy or contract under this section, or with any person to assist the school district in obtaining or managing the policy or contract unless, before the contract is entered into, the insurer, company, organization, or person provides the district with an audited financial statement showing the financial condition of the insurer, company, organization, or person. Makes conforming and nonsubstantive changes.

SECTION 16. Repealer: Section 20 (Effective Date of Coverage), Article 3.50-4, Insurance Code.

Repealer: Section 21 (Nonapplicability of Article 3.51), Article 3.50-4, Insurance Code.

SECTION 17. Makes application of this Act prospective beginning with the 2002-2003 school year.

SECTION 18. Effective date: September 1, 2001.