

## **BILL ANALYSIS**

Senate Research Center  
85R19083 LED-F

H.B. 4035  
By: Flynn (Huffman)  
State Affairs  
5/17/2017  
Engrossed

### **AUTHOR'S / SPONSOR'S STATEMENT OF INTENT**

Interested parties note that The University of Texas System and The Texas A&M University System are currently authorized to provide group insurance benefits to certain eligible individuals. H.B. 4035 makes technical and clarifying changes that would allow the systems' state employee group benefits program and health benefit plans to operate more efficiently.

H.B. 4035 amends current law relating to eligibility and contributions for coverage under the state employee group benefits program and health benefit plans offered by certain university systems.

### **RULEMAKING AUTHORITY**

Rulemaking authority is expressly granted to The University of Texas System or The Texas A&M University System in SECTION 7 (Section 1601.1022, Insurance Code) and SECTION 9 (Section 1601.2042, Insurance Code) of this bill.

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Subchapter A, Chapter 824, Government Code, by adding Section 824.0071, as follows:

Sec. 824.0071. DEDUCTIONS FROM SERVICE OR DISABILITY RETIREMENT ANNUITY FOR CERTAIN UNIVERSITY INSURANCE PROGRAM CONTRIBUTIONS. (a) Defines "program administrator."

(b) Authorizes a retiree who is participating in the uniform program under Chapter 1601 (Uniform Insurance Benefits Act for Employees of the University of Texas System and the Texas A&M University System), Insurance Code, to authorize the retirement system to deduct the amount of the contribution and any other qualified health insurance premium from the retiree's regular monthly service or disability retirement annuity payment if the amount of the monthly annuity is greater than or equal to the amount of the authorized deduction.

(c) Authorizes a retiree to authorize the deduction described by Subsection (b) on a form provided by the program administrator. Requires the program administrator to maintain the record of the authorization made under this section.

(d) Requires the program administrator to:

(1) notify the retirement system of the authorization under Subsection (b); and

(2) in the manner and form prescribed by the retirement system, provide the retirement system with certain information needed by the retirement system to administer the deduction.

(e) Requires the retirement system, after making the deduction, to pay to the program administrator an aggregate amount for all retirees who authorize annuity deductions under Subsection (b).

(f) Provides that if a retiree no longer receives a monthly annuity greater than or equal to the amount of the authorized deduction, the retirement system:

(1) is required to inform the program administrator; and

(2) is not required to make a deduction under this section for the retiree.

(g) Requires that the retirement system make the authorized deduction each month until:

(1) the date the annuity is no longer payable by the retirement system;

(2) the retirement system is notified by the program administrator that the retiree has canceled the authorization to make the deduction; or

(3) the amount of the monthly annuity is no longer greater than or equal to the amount of the authorized deduction as described by Subsection (f).

(h) Requires the program administrator to reimburse the retirement system the cost, as determined by the retirement system, incurred by the retirement system in implementing this section.

(i) Provides that this section does not apply to an individual described by Section 824.007(b) (relating to the authority of a certain individual to authorize the retirement system to make a certain deduction).

SECTION 2. Amends Section 1551.102, Insurance Code, by adding Subsection (c-1), as follows:

(c-1) Provides that an individual is eligible to participate in the group benefits program as provided by Subsection (a) if:

(1) the individual meets the minimum requirements under Subsection (c) except that the individual does not have at least 10 years of eligible service credit as described by Subsection (c)(1);

(2) the individual has at least 10 years of combined service in a position for which the individual was eligible to participate in the group benefits program or in the uniform program under Section 1601.101 (Participation Eligibility: Employees); and

(3) either:

(A) the individual's greatest number of years of state employment was in a position for which the individual was eligible to participate in the group benefits program; or

(B) if the individual's years of employment in positions eligible to participate in the group benefits program and the uniform program are equal, the individual's last state employment before retirement was in a position for which the individual was eligible to participate in the group benefits program.

SECTION 3. Amends Section 1601.053, Insurance Code, by adding Subsection (c), to authorize The University of Texas System or The Texas A&M University System (system), notwithstanding any other provision of this chapter, to adjust a plan and coverage standards as

necessary to comply with applicable state and federal law and to provide consistent eligibility for all plans under the program, including eligibility for optional coverages.

SECTION 4. Amends Section 1601.102, Insurance Code, by adding Subsection (d-1), as follows:

(d-1) Provides that an individual is eligible to participate in the uniform program as provided by Subsection (a) if:

(1) the individual meets the minimum requirements under Subsection (b) except that the individual does not have at least 10 years of service as described by Subsection (b)(1);

(2) the individual has at least 10 years of combined service in a position for which the individual was eligible to participate in the uniform program or in the group benefits program under Section 1551.101 (Participation Eligibility: State Officers and Employees); and

(3) either:

(A) the individual's greatest number of years of state employment was in a position for which the individual was eligible to participate in the uniform program; or

(B) if the individual's years of employment in positions eligible to participate in the uniform program and the group benefits program are equal, the individual's last state employment before retirement was in a position for which the individual was eligible to participate in the uniform program.

SECTION 5. Redesignates Subsection (f), Section 1601.102, Insurance Code, as added by Chapter 1266, Acts of the 78th Legislature, Regular Session, 2003, as Subsection (h), Section 1601.102, Insurance Code, and makes no further changes to this subsection.

SECTION 6. Redesignates Subsection (g), Section 1601.102, Insurance Code, as added by Chapter 1266, Acts of the 78th Legislature, Regular Session, 2003, as Subsection (i), Section 1601.102, Insurance Code, and amends it to change a reference to Subsection (f) to Subsection (h).

SECTION 7. Amends Subchapter C, Chapter 1601, Insurance Code, by adding Section 1601.1022, as follows:

Sec. 1601.1022. PARTICIPATION ELIGIBILITY: EMPLOYEES WITH BREAK IN SERVICE AND EXPECTATION OF REEMPLOYMENT. (a) Authorizes the applicable system, as provided by rules adopted by the system, to consider a participant eligible to continue participating in the uniform program under Section 1601.101 during a break in service during summer months if the system reasonably expects the individual will be reemployed after the break in service.

(b) Requires an individual who remains eligible to continue participating in the uniform program under Subsection (a) to pay all contributions required under this chapter for the coverage selected by the individual during the break in service, except that an institution of higher education (IHE) is authorized to make contributions for the individual from funds available for that purpose.

(c) Requires an IHE to determine which individuals are eligible to continue participating in the uniform program under this section and, at the time of initial eligibility, to notify each individual of the individual's continued eligibility under Subsection (a).

(d) Provides that an individual who continues participation in the uniform program under this section is not considered an employee of an IHE during the break in service for other purposes solely as a result of the individual's continued participation in the program.

SECTION 8. Amends Subchapter C, Chapter 1601, Insurance Code, by adding Section 1601.1065, as follows:

Sec. 1601.1065. **OPTIONAL BASIC COVERAGE PLAN FOR GRADUATE STUDENTS.** Authorizes the system to design and offer a separate optional basic coverage plan for employees who are graduate students. Requires that the system determine the participation eligibility, coverage, payments, contributions, and costs of a plan offered under this section.

SECTION 9. Amends Subchapter E, Chapter 1601, Insurance Code, by adding Sections 1601.2042 and 1601.211, as follows:

Sec. 1601.2042. **COMPENSATION INSUFFICIENT TO COVER DEDUCTION.** Authorizes the applicable system, if a participant's monthly compensation from which the participant's contribution is deducted is insufficient to pay the participant's contribution for coverage, to adopt rules under which the system considers the coverage to have terminated after the last full month for which the contribution was paid in full, as determined by the system.

Sec. 1601. 211. **LIABILITY FOR BACK CONTRIBUTIONS FOR DROPPED COVERAGE.** (a) Provides that this section applies to a participant in the uniform program for whom appropriate contributions were not made during the entire plan year because of nonpayment of premiums.

(b) Requires the participant, as a condition of enrollment in the same coverage for a subsequent plan year, to make a contribution equal to the contributions not made for the plan year for which appropriate contributions were not made during the entire plan year, unless the nonpayment of premiums was related to a qualified change in status, as determined by the system. Requires that payment be made in the form and manner determined by the system.

SECTION 10. Provides that the changes in law made by this Act apply only to group coverages provided under Chapter 1601, Insurance Code, beginning with the 2017-2018 plan year. Provides that a plan year before 2017-2018 is governed by the law as it existed immediately before September 1, 2017, and that law is continued in effect for that purpose.

SECTION 11. (a) Effective date, except as provided by Subsection (b): upon passage or September 1, 2017.

(b) Provides that Section 824.0071, Government Code, as added by this Act, takes effect January 1, 2018.