

CHAPTER NO. 555.

HOUSE BILL 437

INTRODUCED BY SOUTH

IN THE HOUSE

January 27, 1979	Introduced and referred to Select Committee on Employee Compensation.
February 19, 1979	Committee recommend bill do pass as amended. Report adopted.
February 21, 1979	Printed and placed on members' desks.
February 22, 1979	Second reading, do pass. Considered correctly engrossed.
February 23, 1979	Third reading, passed. Transmitted to second house.

IN THE SENATE

February 23, 1979	Introduced and referred to Select Committee on Employee Compensation.
March 22, 1979	Committee recommend bill be concurred in as amended. Report adopted.
March 24, 1979	Second reading, pass consideration.
March 26, 1979	Second reading, concurred in.
March 27, 1979	Third reading, concurred in as amended.

IN THE HOUSE

March 28, 1979	Returned from second house Concurred in as amended.
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March 31, 1979

Second reading, amendments
adopted.

April 2, 1979

Third reading, amendments
adopted. Sent to enrolling.

Reported correctly enrolled.

House BILL NO. 437

INTRODUCED BY South

A BILL FOR AN ACT ENTITLED: "AN ACT TO ESTABLISH A PROGRAM UNDER WHICH THE STATE OF MONTANA MAY PROVIDE ITS EMPLOYEES WITH ADEQUATE GROUP HOSPITALIZATION, HEALTH, MEDICAL, DISABILITY, LIFE, AND OTHER RELATED GROUP BENEFITS IN AN EFFICIENT MANNER AND AT AN AFFORDABLE COST; AMENDING SECTIONS 2-18-702 AND 5-2-303, MCA; REPEALING SECTIONS 2-15-1012 AND 2-18-801 THROUGH 2-18-807, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."

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

NEW SECTION. Section 1. Purpose. The purpose of [this act] is to establish a program under which the state may provide state employees with adequate group hospitalization, health, medical, disability, life, and other related group benefits in an efficient manner and at an affordable cost.

NEW SECTION. Section 2. Definitions. As used in [this act], the following definitions apply:

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

(2) "State employee" means an employee of the state, specifically including a member or employee of the legislative branch of state government. The term "state

employee" does not include employees of counties, cities, towns, school districts, or the Montana university system.

NEW SECTION. Section 3. General duties of the department. The department shall:

(1) adopt rules for the conduct of its business under [this act] and to carry out the purposes of [this act];

(2) negotiate and administer contracts for state employee group benefit plans;

(3) design state employee group benefit plans, establish specifications for bids, and make recommendations for acceptance or rejection of bids;

(4) prepare an annual report which describes the state employee group benefit plans being administered, details the historical and projected program costs and the status of reserve funds, and makes recommendations, if any, for change in existing state employee group benefit plans; and

(5) prior to each legislative session, perform or obtain an analysis of rate adequacy of all state employee group benefit plans administered under [this act]. The department shall make copies of the report available to the legislature.

NEW SECTION. Section 4. Alternatives to conventional insurance for providing state employee group benefits authorized -- requirements. The department may establish alternatives to conventional insurance for providing state

1 employee group benefits. The requirements for providing
2 alternatives to conventional insurance are as follows:

3 (1) The department must maintain state employee group
4 benefit plans on an actuarially sound basis.

5 (2) The department must maintain reserves sufficient
6 to liquidate the unrevealed claims liability and other
7 liabilities of state employee group benefit plans.

8 (3) The department must deposit all reserve funds and
9 premiums paid to a state employee group benefit plan.

10 (4) The department must deposit income earned from the
11 investment of a state employee group benefit plan's reserve
12 fund into the account established under subsection (3) of
13 this section in order to offset the costs of administering
14 the plan.

15 NEW SECTION. Section 5. Combining existing employee
16 groups authorized. The department may combine existing state
17 employee groups into larger groups for the purpose of
18 establishing state employee group benefit plans on behalf of
19 the combined groups. The department may also combine state
20 employees into a single group for purposes of state employee
21 group benefits under [this act].

22 NEW SECTION. Section 6. Administrative costs. The
23 department shall include the costs of administering and
24 negotiating state employee group benefit plans established
25 under [this act], as well as the costs of hiring necessary

1 consultants, actuaries, and auditors under [this act], as
2 part of the cost for state employee group benefits.

3 NEW SECTION. Section 7. Transfer of authority of
4 board of regents authorized. (1) The board of regents of
5 higher education may transfer its authority for providing
6 group benefits for employees of the Montana university
7 system to the department.

8 (2) Upon transfer of the board of regents' authority
9 as provided in (1) of this section, group benefit plans for
10 employees of the Montana university system are subject to
11 the provisions of [this act].

12 NEW SECTION. Section 8. Annual audits of group
13 benefit plans required. The department shall have the state
14 employee group benefit plans established under [this act],
15 whether established on a self-funded basis or not, audited
16 annually by either the legislative auditor or an independent
17 certified public accountant.

18 Section 9. Section 2-18-702, MCA, is amended to read:
19 "2-18-702. Group insurance for public employees and
20 officers. (1) All ~~departments, bureaus, boards, commissions~~
21 ~~and agencies of the state and all~~ counties, cities, and
22 ~~towns, school districts, and the board of regents~~ shall upon
23 approval by two-thirds vote of the their respective officers
24 and employees of ~~each such department, bureau, board,~~
25 ~~commission, agency, county, city, and town~~ enter into group

1 hospitalization, medical, health, including long-term
2 disability, accident, and/or group life insurance contracts
3 or plans for the benefit of their officers, employees and
4 their dependents.

5 ~~(2) State employees, as defined in [section 2 of this~~
6 ~~act], may participate in such state employee group benefit~~
7 ~~plans as are provided for under part 8 of this chapter.~~

8 ~~(3)~~(3) The premiums required from time to time to
9 maintain such insurance in force shall be paid by the
10 insured officers and employees, and the auditor shall deduct
11 said premiums from the salary or wages of each officer or
12 employee who elects to become insured, on the officer or
13 employee's written order, and issue his warrant therefor to
14 the insurer.

15 ~~(4)~~(4) For the purpose of [40-3905.1, R.C.M. 1947],
16 the plans of health service corporations for defraying or
17 assuming the cost of professional services of licentiates in
18 the field of health, or the services of hospitals, clinics
19 or sanitariums, or both professional and hospital services,
20 shall be construed as group insurance, and the dues payable
21 under such plans shall be construed as premiums therefor."

22 Section 10. Section 5-2-303, MCA, is amended to read:

23 "5-2-303. Participation in state insurance ~~benefits~~
24 group. Members Individual members of the senate and the
25 house of representatives may enroll in the state employees

1 insurance ~~benefits~~ group during the terms to which they have
2 been elected, ~~without the approval of two-thirds of the~~
3 ~~appropriate house under 2-18-807.~~ The insurer provider of
4 benefits shall enroll and collect employee contributions
5 directly from such legislators. The employer contribution
6 shall be paid from funds appropriated for that purpose."

7 Section 11. Codification. Sections 1 through 8 of this
8 act are intended to be codified as an integral part of Title
9 2, chapter 18, part 8, and the provisions contained in Title
10 2, chapter 18, part 8, of this act apply to sections 1
11 through 8.

12 Section 12. Repealer. Sections 2-15-1012 and 2-18-801
13 through 2-18-807, MCA, are repealed.

14 Section 13. Effective date. This act shall be
15 effective immediately on passage and approval.

-End-

STATE OF MONTANA

Request No. 249-79

FISCAL NOTE

Form BD-15

In compliance with a written request received February 8, 1979, there is hereby submitted a Fiscal Note for House Bill 437 pursuant to Chapter 53, Laws of Montana, 1965 - Thirty-Ninth Legislative Assembly. Background information used in developing this Fiscal Note is available from the Office of Budget and Program Planning, to members of the Legislature upon request.

DESCRIPTION OF PROPOSED LEGISLATION:

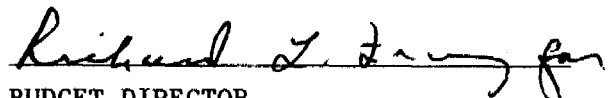
A proposal to establish a group benefit program within the Department of Administration.

ASSUMPTIONS:

1. The program will require the establishment of a group benefits supervisor.
2. The department will contract with an insurance consultant to help establish a benefit package and place it to competitive bid.
3. The program will be financed by the account to which the premium charges will be deposited.

FISCAL IMPACT:

The program will cost approximately \$51,000 each year to administer, the funding for which will be provided from premium charges.


BUDGET DIRECTOR
Office of Budget and Program Planning
Date: 2/12/79

Approved By Comm. On
Employment Comp.

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7 DISABILITY, LIFE, AND OTHER RELATED GROUP BENEFITS IN AN
8 EFFICIENT MANNER AND AT AN AFFORDABLE COST; AMENDING
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18 benefits in an efficient manner and at an affordable cost.
19 NEW SECTION. Section 2. Definitions. As used in [this
20 act], the following definitions apply:
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22 BENEFITS ADVISORY COUNCIL PROVIDED FOR IN SECTION 3 OF THIS
23 ACT].
24 ~~(2)~~ "Department" means the department of
25 administration provided for in 2-15-1001.

1 ~~(2)~~(3) "State employee" means an employee of the
2 state, specifically including a member or employee of the
3 legislative branch of state government. The term "state
4 employee" does not include employees of counties, cities,
5 towns, school districts, or the Montana university system.
6 SECTION 3. THERE IS A NEW MCA SECTION THAT READS:
7 State employee group benefit advisory council to be
8 created -- composition. (1) The department shall create a
9 state employee group benefits advisory council under
10 2-15-122.
11 (2) The members of the advisory council shall be
12 selected from a diverse group in order to adequately
13 represent the interests of state employees.
14 SECTION 4. THERE IS A NEW MCA SECTION THAT READS:
15 Functions of advisory council. (1) The department shall
16 meet and consult with the advisory council before
17 negotiating, contracting, or otherwise modifying state
18 employee group benefit plans.
19 (2) The advisory council shall meet quarterly to
20 review the existing state employee group benefit plans, to
21 review claims problems, and to advise the department on
22 state employee group benefit matters.
23 NEW SECTION. Section 5. General duties of the
24 department. The department shall:
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 13 obtain an analysis of rate adequacy of all state employee
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5 employees of the Montana university system are subject to
6 the provisions of [this act].

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10 whether established on a self-funded basis or not, audited
11 annually by either the legislative auditor or an independent
12 certified public accountant.

13 Section 11. Section 2-18-702, MCA, is amended to read:

14 "2-18-702. Group insurance for public employees and
15 officers. (1) All ~~departments, bureaus, boards, commissions~~
16 ~~and agencies of the state and all~~ counties, cities, and
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19 and employees of ~~each such department, bureau, board,~~
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21 hospitalization, medical, health, including long-term
22 disability, accident, and/or group life insurance contracts
23 or plans for the benefit of their officers, employees and
24 their dependents.

25 (2) State employees, as defined in [section 2 of this

1 act], may participate in such state employee group benefit
2 plans as are provided for under part 8 of this chapter.

3 ~~(2)(3)~~ The premiums required from time to time to
4 maintain such insurance in force shall be paid by the
5 insured officers and employees, and the auditor shall deduct
6 said premiums from the salary or wages of each officer or
7 employee who elects to become insured, on the officer or
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25 directly from such legislators. The employer contribution

1 shall be paid from funds appropriated for that purpose."

2 Section 13. Codification. (1) Sections 1, 2, AND 4
3 through 8 10 of this act are intended to be codified as an
4 integral part of Title 2, chapter 18, part 8, and the
5 provisions contained in Title 2, chapter 18, part 8, of this
6 act apply to sections 1, 2, AND 4 through 8 10.

7 (2) SECTION 3 OF THIS ACT IS INTENDED TO BE CODIFIED
8 IN TITLE 2, CHAPTER 15, PART 10.

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5 alternatives to conventional insurance are as follows:

6 (1) The department must maintain state employee group
7 benefit plans on an actuarially sound basis.

8 (2) The department must maintain reserves sufficient
9 to liquidate the unrevealed claims liability and other
10 liabilities of state employee group benefit plans.

11 (3) The department must deposit all reserve funds and
12 premiums paid to a state employee group benefit plan.

13 (4) The department must deposit income earned from the
14 investment of a state employee group benefit plan's reserve
15 fund into the account established under subsection (3) of
16 this section in order to offset the costs of administering
17 the plan.

18 (5) THE DEPARTMENT SHALL, PRIOR TO IMPLEMENTATION OF
19 ANY ALTERNATIVE TO CONVENTIONAL INSURANCE, PRESENT TO THE
20 ADVISORY COUNCIL THE EVIDENCE UPON WHICH THE DEPARTMENT HAS
21 CONCLUDED THAT THE ALTERNATIVE METHOD WILL BE MORE
22 EFFICIENT, LESS COSTLY, OR OTHERWISE SUPERIOR TO CONTRACTING
23 FOR CONVENTIONAL INSURANCE. THE DEPARTMENT MAY NOT IMPLEMENT
24 ANY FULL SELF INSURANCE ALTERNATIVE PRIOR TO JULY 1, 1981.

25 (6) THE PROVISIONS OF TITLE 33 SHALL NOT APPLY TO THE

1 DEPARTMENT WHEN EXERCISING THE POWERS AND DUTIES PROVIDED
 2 FOR IN THIS SECTION.

3 NEW SECTION. Section 7. Combining existing employee
 4 groups authorized. The department may combine existing state
 5 employee groups into larger groups for the purpose of
 6 establishing state employee group benefit plans on behalf of
 7 the combined groups. The department may also combine state
 8 employees into a single group for purposes of state employee
 9 group benefits under [this act].

10 NEW SECTION. Section 8. Administrative costs. The
 11 department shall include the costs of administering and
 12 negotiating state employee group benefit plans established
 13 under [this act], as well as the costs of hiring necessary
 14 consultants, actuaries, and auditors under [this act], as
 15 part of the cost for state employee group benefits.

16 NEW SECTION. Section 9. Transfer of authority of
 17 board of regents authorized. (1) The board of regents of
 18 higher education may transfer its authority for providing
 19 group benefits for employees of the Montana university
 20 system to the department.

21 (2) Upon transfer of the board of regents' authority
 22 as provided in (1) of this section, group benefit plans for
 23 employees of the Montana university system are subject to
 24 the provisions of [this act].

25 NEW SECTION. Section 10. Annual audits of group

1 benefit plans required. The department shall have the state
 2 employee group benefit plans established under [this act],
 3 whether established on a self-funded basis or not, audited
 4 annually by either the legislative auditor or an independent
 5 certified public accountant.

6 Section 11. Section 2-18-702, MCA, is amended to read:
 7 "2-18-702. Group insurance for public employees and
 8 officers. (1) All ~~departmental, bureau, board, commission~~
 9 ~~and agencies of the state and all~~ counties, cities, and
 10 towns, school districts, and the board of regents shall upon
 11 approval by two-thirds vote of the their respective officers
 12 and employees of ~~each such department, bureau, board,~~
 13 ~~commission, agency, county, city, and town~~ enter into group
 14 hospitalization, medical, health, including long-term
 15 disability, accident, and/or group life insurance contracts
 16 or plans for the benefit of their officers, employees and
 17 their dependents.

18 (2) State employees, as defined in [section 2 of this
 19 act], may participate in such state employee group benefit
 20 plans as are provided for under part 8 of this chapter.

21 ~~(2)~~(3) The premiums required from time to time to
 22 maintain such insurance in force shall be paid by the
 23 insured officers and employees, and the auditor shall deduct
 24 said premiums from the salary or wages of each officer or
 25 employee who elects to become insured, on the officer or

1 employee's written order, and issue his warrant therefor to
2 the insurer.

3 ~~{3}{4}~~ For the purpose of [40-3905.1, R.C.M. 1947],
4 the plans of health service corporations for defraying or
5 assuming the cost of professional services of licentiates in
6 the field of health, or the services of hospitals, clinics
7 or sanitariums, or both professional and hospital services,
8 shall be construed as group insurance, and the dues payable
9 under such plans shall be construed as premiums therefor."

10 Section 12. Section 5-2-303, MCA, is amended to read:

11 "5-2-303. Participation in state insurance benefits
12 group. Members ~~individual members~~ of the senate and the
13 house of representatives may enroll in the state employees
14 insurance ~~benefits~~ group during the terms to which they have
15 been elected, ~~without the approval of two-thirds of the~~
16 ~~appropriate house under 2-18-807.~~ The insurer ~~provider of~~
17 ~~benefits~~ shall enroll and collect employee contributions
18 directly from such legislators. The employer contribution
19 shall be paid from funds appropriated for that purpose."

20 Section 13. Codification. ~~{1}~~ Sections ~~1, 2, AND 4~~
21 through ~~8~~ 10 of this act are intended to be codified as an
22 integral part of Title 2, chapter 18, part 8, and the
23 provisions contained in Title 2, chapter 18, part 8, of ~~this~~
24 act apply to sections ~~1, 2, AND 4~~ through ~~8~~ 10.

25 {2} SECTION 3 OF THIS ACT IS INTENDED TO BE CODIFIED

1 IN TITLE 2, CHAPTER 15, PART 10.

2 Section 14. Repealer. Sections 2-15-1012 and 2-18-801
3 through 2-18-807, MCA, are repealed.

4 Section 15. Effective date. This act shall be
5 effective immediately on passage and approval.

-End-

March 22, 1979

SENATE STANDING COMMITTEE REPORT
(Select Employee Compensation)

That House Bill No. 437, third reading bill, be amended as follows:

1. Page 2.

Following: line 5

Insert: "(4) "group benefits" means group hospitalization, health, medical, surgical, disability, life, and other similar and related group benefits provided to officers and employees of the state. The term "group benefits" does not include casualty insurance, defined in 33-1-206; marine insurance defined in 33-1-209; property insurance defined in 33-1-210; surety insurance defined in 33-1-211; and title insurance defined in 33-1-212."

2. Page 4.

Following: line 9

Insert: "(5) The department shall, prior to implementation of any alternative to conventional insurance, present to the advisory council the evidence upon which the department has concluded that the alternative method will be more efficient, less costly, or otherwise superior to contracting for conventional insurance. The department may not implement any full self insurance alternative prior to July 1, 1981.

(6) The provisions of title 33 shall not apply to the department when exercising the powers and duties provided for in this section."