

SENATE BILL NO. 490

IN THE SENATE

February 12, 1979

Introduced and referred to
Committee on Finance and Claims.

April 20, 1979

Died in Committee.

1 *Senate* BILL NO. 490
 2 INTRODUCED BY *Fabender*
 3

4 A BILL FOR AN ACT ENTITLED: "AN ACT TO ESTABLISH A PROGRAM
 5 UNDER WHICH THE STATE OF MONTANA MAY PROVIDE ITS EMPLOYEES
 6 WITH ADEQUATE GROUP HEALTH, MEDICAL, DISABILITY, LIFE, AND
 7 OTHER RELATED GROUP INSURANCE IN AN EFFICIENT MANNER AND AT
 8 AN AFFORDABLE COST; TO ESTABLISH A STATE EMPLOYEE GROUP
 9 INSURANCE BOARD; AMENDING SECTIONS 2-18-702, 2-18-703, AND
 10 5-2-303, MCA; REPEALING SECTIONS 2-15-101? AND 2-18-801
 11 THROUGH 2-18-807, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE
 12 DATE."

13
 14 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

15 NEW SECTION. Section 1. State employee group
 16 insurance board -- allocation -- composition. (1) There is a
 17 state employee group insurance board.

18 (2) The board is allocated to the department of
 19 administration for administrative purposes only as provided
 20 in 2-15-121.

21 (3) The board is composed of the following members:

- 22 (a) the governor or the governor's designee;
- 23 (b) the director of the department of administration
 24 or the director's designee;
- 25 (c) a representative from each of two different labor

1 organizations that represent proportionally significant
 2 numbers of state employees in collective bargaining under
 3 Title 39, chapter 31, to be appointed by the governor for
 4 2-year terms;

5 (d) a member of the legislature or its designee, to be
 6 appointed jointly by the speaker of the house and the
 7 president of the senate for a 2-year term; and

8 (e) such other representatives as are provided for in
 9 [section 9].

10 (4) The board shall elect a chairman from among its
 11 members.

12 (5) The members of the board are entitled to
 13 reimbursement and compensation as are members of
 14 quasi-judicial boards in 2-15-124(7).

15 (6) The board shall meet at least quarterly.

16 NEW SECTION. Section 2. Purpose. The purpose of
 17 [sections 2 through 10] is to establish a program under
 18 which the state may provide state employees with adequate
 19 group health, medical, disability, life, and other related
 20 group insurance benefits in an efficient manner and at an
 21 affordable cost.

22 NEW SECTION. Section 3. Definitions. As used in
 23 [sections 2 through 10], the following definitions apply:

24 (1) "Board" means the state employee group insurance
 25 board provided for in [section 1].

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

3 (3) "State employee" means an employee of the state,
4 including a member or employee of the legislative,
5 executive, and judicial branch of state government. The
6 term "state employee" does not include employees of
7 counties, cities, towns, school districts, or the Montana
8 university system, except as otherwise provided herein.

9 **NEW SECTION.** Section 4. General powers and duties of
10 the board. (1) The board shall adopt rules for the conduct
11 of its business and to carry out the purposes of [sections 2
12 through 10].

13 (2) The board shall establish policy on all matters,
14 including plan selection and plan participation, connected
15 with providing adequate health-care coverage, life
16 insurance, disability-income insurance, health-care plans,
17 and any other related group insurance benefit plans for
18 state employees and their dependents and shall consider in
19 the establishment of such policy the best interests and
20 general welfare of all state employees as well as the
21 interests of the state.

22 (3) Policy decisions of the board are binding upon the
23 department.

24 (4) The board shall review benefits, specifications,
25 claims experience, and insurance carrier responses to

1 advertisements for bids and shall be responsible for
2 approving the terms and conditions of state employee
3 participation, coverage, and of related matters with regard
4 to any group insurance benefit plan entered into hereunder.

5 (5) The board may approve and direct the
6 implementation of alternatives to conventional insurance,
7 including self-insurance, for providing state employee group
8 health benefit plans that are established on an actuarially
9 sound basis.

10 (6) The board may hire necessary consultants,
11 actuaries, or auditors which it considers necessary to
12 provide information and assistance for the formulation of
13 policy and to aid in plan selection.

14 **NEW SECTION.** Section 5. General duties of the
15 department. The department shall:

16 (1) negotiate and administer contracts for state
17 employee group benefit plans in accordance with
18 directives of the board and under the rules and policies
19 established by the board;

20 (2) design state employee group benefit plans as the
21 board may direct, establish specifications for bids, and
22 make recommendations for acceptance or rejection of bids to
23 the board;

24 (3) publish and disseminate to state employees
25 descriptions of all employee benefit plans entered into

1 under the terms of [sections 2 through 10];

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

8 (5) prior to each legislative session, obtain an
9 actuarial evaluation of all state employee group benefit
10 plans administered under [sections 2 through 10]. The
11 department shall make copies of the actuarial report
12 available to the board and to the legislature.

13 NEW SECTION. Section 6. Alternatives to conventional
14 insurance for providing state employee group benefits
15 authorized -- requirements. In accordance with the directive
16 of the board, the department may establish alternatives to
17 conventional insurance, including self-insurance, for
18 providing state employee group benefits, subject to the
19 following requirements:

20 (1) The department shall maintain state employee group
21 benefit plans on an actuarially sound basis.

22 (2) The department shall maintain reserves sufficient
23 to liquidate the unrevealed claims liability and other
24 liabilities of state employee group benefit plans.

25 (3) The department shall deposit all reserve funds and

1 premiums paid to a state employee group benefit plan in
2 accordance with applicable statutory provisions and the
3 rules of the department.

4 (4) The department shall deposit income earned from
5 the investment of a state employee group benefit plan
6 reserve fund into the account established under subsection
7 (3) in order to offset the costs of administering the plan.

8 NEW SECTION. Section 7. Combining existing employee
9 groups authorized. The department, pursuant to policies
10 established by the board, may combine existing state
11 employee groups into larger groups or a single group and may
12 establish state employee group benefit plans on behalf of
13 the combined groups. The department may also combine state
14 employees into a single group for purposes of state employee
15 group benefits under [sections 2 through 10]. Except as
16 otherwise provided herein, nothing in this section requires
17 or authorizes counties, cities, towns, school districts, or
18 the Montana university system to participate in a state
19 employee group benefits plan established under [sections 2
20 through 10].

21 NEW SECTION. Section 8. Administrative costs. The
22 department must include the costs of administering and
23 negotiating state employee group benefit plans established
24 under [sections 2 through 10], as well as the costs of
25 hiring necessary consultants, actuaries, auditors, and other

EB 470

1 employees under [sections 2 through 10], as part of the
2 premium paid for state employee group benefits. All of
3 these costs are subject to the approval of the board.

4 NEW SECTION. Section 9. Transfer of authority of
5 board of regents authorized. (1) The board of regents of
6 higher education may transfer its authority for providing
7 group benefits for employees of the Montana university
8 system to the state employee group insurance board.

9 (2) Upon transfer of the board of regents' authority
10 as provided in subsection (1), additional members shall be
11 added to the state employee group insurance board:

12 (a) the commissioner of higher education or the
13 commissioner's designee; and

14 (b) a faculty member from the Montana university
15 system to be appointed by the board of regents of higher
16 education.

17 (3) Upon transfer of the board of regents' authority
18 as provided in subsection (1), group benefit plans for
19 employees of the Montana university system shall be subject
20 to the provisions of [sections 2 through 10].

21 NEW SECTION. Section 10. Annual audits of group
22 benefit plans required. The department shall have the state
23 employee group benefit plans established under [sections 2
24 through 10], whether established on a self-funded basis or
25 not, audited annually by either the legislative auditor or

1 an independent certified public accountant.

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

3 "2-18-702. Group insurance for public employees and
4 officers. (1) All ~~departments, bureaus, boards, commissions~~
5 ~~and agencies of the state and all~~ counties, cities, and
6 towns, school districts, and the board of regents shall upon
7 approval by ~~two-thirds vote~~ a majority of the their
8 respective officers and employees, ~~of each such department,~~
9 ~~bureau, board, commission, agency, county, city, and town~~
10 enter into group hospitalization, medical, health, including
11 long-term disability, accident, and/or group life insurance
12 contracts or plans for the benefit of their officers,
13 employees and their dependents.

14 (2) State employees, as defined in [section 3], are
15 entitled to participate in state employee group benefit
16 plans as provided for under [sections 2 through 10].

17 ~~(2)(3)~~ The premiums required from time to time to
18 maintain such insurance or benefit plans in force shall be
19 paid by the insured officers and employees, and the auditor
20 shall deduct ~~said~~ such premiums from the salary or wages of
21 each officer or employee who elects to become insured, on
22 the officer or employee's written order, and issue his
23 warrant therefor to the insurer.

24 ~~(3)(4)~~ For the purpose of ~~[40-3985-1]-R6M-1947]~~
25 this section, the plans of health service corporations for

1 defraying or assuming the cost of professional services of
2 licentiates in the field of health, or the services of
3 hospitals, clinics or sanitariums, or both professional and
4 hospital services, shall be construed as group insurance,
5 and the dues payable under such plans shall be construed as
6 premiums therefor."

7 Section 12. Section 2-18-703, MCA, is amended to read:
8 "2-18-703. Contributions. The respective
9 administrative and governing bodies shall contribute the
10 amount specified in this section towards the insurance
11 premium:

12 (1) For employees defined in 2-18-701, other than
13 members of collective bargaining units, and for members of
14 the legislature, the employer contribution for insurance
15 shall be ~~\$240-per-year-for-the-fiscal-year-ending-June-30-~~
16 ~~1978-and-\$360-per-year-for-each-fiscal-year-thereafter~~ \$60
17 a month per employee. The employer shall prorate this amount
18 for employees who work less than 2,080 hours per a year.

19 (2) For state employee members of a collective
20 bargaining unit, the employer shall pay the amount
21 negotiated with the collective bargaining unit, except that
22 employer contributions may not be less than that contained
23 in subsection (1).

24 (3) For employees of elementary and high school
25 districts and of local government units, the employer's

1 premium contributions may exceed but shall not be less than
2 \$10 per month."

3 Section 13. Section 5-2-303, MCA, is amended to read:
4 "5-2-303. Participation in state insurance benefits
5 group. ~~Members~~ Individual members of the senate and the
6 house of representatives may enroll in the state employees
7 insurance benefits group during the terms to which they have
8 been elected, ~~without the approval of two-thirds of the~~
9 ~~appropriate house under 2-18-807.~~ The insurer provider of
10 benefits shall enroll and collect employee contributions
11 directly from such legislators. The employer contribution
12 shall be paid from funds appropriated for that purpose."

13 Section 14. Codification. Sections 2 through 10 are
14 intended to be codified in Title 2, chapter 18, part 8.

15 Section 1 is intended to be codified as an integral
16 part of Title 2, chapter 15, part 10, and the provisions
17 contained in Title 2, chapter 15, part 10 apply to section
18 1.

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

21 Section 16. Effective date. This act is effective on
22 passage and approval.

-End-

SB 490

STATE OF MONTANA

REQUEST NO. 481-79

FISCAL NOTE

Form BD-15

In compliance with a written request received March 16, 19 79, there is hereby submitted a Fiscal Note for SB 490 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:

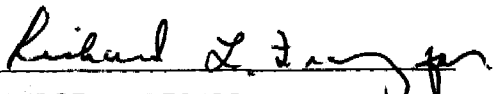
SB 490 is a proposal to establish a Board to administer a unified state employee group benefit program.

ASSUMPTIONS:

1. The Board meets 18 times per year.
2. Members who are not state employees are compensated at the rate of \$25 per meeting.
3. Two of the five board members are state employees.
4. A grade 15 position is utilized half-time.
5. Two members reside outside Helena and must be compensated for travel expenses.
6. All board members and the grade 15 employee will make 6 trips per year to deal with insurance carriers, etc.

FISCAL IMPACT:

Based on these assumptions, insurance fund expenditures are expected to increase by \$55,400 in FY 1980 and by \$57,200 in FY 1981 with the passage of SB 490.


BUDGET DIRECTOR

Office of Budget and Program Planning

Date: March 23, 1979