

BILL ANALYSIS

C.S.H.B. 6
By: Swinford
Government Reform
Committee Report (Substituted)

BACKGROUND AND PURPOSE

Legislation passed during the 78th regular legislative session raised requirements for eligibility for health insurance benefits upon retirement. As of August 31, 2003, employees that had been planning to retire at age 60 (ERS) or 55 (TRS) face the choice of no health insurance until they reach 65 or working 5 or 10 more years before retiring.

Employees who have worked for the state and planned a retirement date should have the option to retire and get health insurance, as long as they pay the total cost themselves. CSHB 6 would authorize ERS and TRS to offer “gap” insurance to cover retirees from the time their COBRA expires until they are eligible for health insurance at 65 years of age, at full cost to the retiree. CSHB 6 also specifies that if the legislature appropriates money in the appropriations bill towards the cost of gap insurance, ERS and TRS will offset the cost to the retirees accordingly.

CHSB 6 also contains a provision that allows for use of an online benefits enrollment and administration system.

RULEMAKING AUTHORITY

It is the committee’s opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

CSHB 6 contains language that will allow ERS and TRS to offer “gap” insurance to new retirees and their dependents, who, as of August 31, 2003, will not be eligible for health care benefits as part of the individual’s retirement package until they are 65 years of age.

Included in CSHB 6 are two provisions clarifying that participants in the Texas Turnpike Authority, as well as the Texas Municipal and Texas County and District Retirement System qualify for the same gap insurance as state employees do through their enrollment in ERS pool. The Turnpike Authority and County and District Retirement System both participate in the ERS pool, but do not receive state subsidy.

CSHB 6 requires that retirees of ERS and TRS desiring to participate in the gap insurance program will be expected to pay for the entire cost of their coverage, as well as the coverage of any of their dependents. CSHB 6 also clarifies the definition of “public school” to ensure that employees of higher education are allowed to participate in the gap insurance plan.

CSHB 6 specifies that if additional funding for the total costs of retirees is allocated through the General Appropriations Act or other similar legislation, that the retirement systems are to offset the costs to retirees accordingly.

CSHB 6 allows for the implementation of an electronic benefits enrollment and administration system. Under this language, the comptroller would be allowed to implement a project if it is determined that a cost savings may be realized through a private vendor. CSHB 6 sets forth requirements for any program that

would be implemented, and makes provision for the manner in which it may be implemented. CSHB 6 also specifies certain criteria that must be considered when choosing a private vendor to provide the program.

EFFECTIVE DATE

Immediate effect, or if the Act fails to receive the vote necessary for immediate effect, this Act takes effect December 1, 2003.

COMPARISON OF ORIGINAL TO SUBSTITUTE

CSHB 6 adds language to specify that dependents may also participate under this provision.

CSHB 6 adds language in Section 2 and Section 3 that allows dependents to participate and clarifies the intent by referencing Section 1551.323, Insurance Code.

CSHB 6 tightens language to make clear that the annuitant is required to pay the total cost rather than “may be required to pay”. This will prevent ERS from having to subsidize the benefit from the fund’s assets. Specifies that the board has the authority to determine the total cost of participation for annuitant and the annuitant’s dependents. Adds cleanup language to make Section 4 apply to Insurance Code Section 1551.111(e) and 1551.112(c). Adds language that allows, but does not require, General Appropriations Act to include funds to offset the full cost to annuitants.

CSHB 6 deletes prescriptive language defining who may participate and substitutes language used in Section 1, 2, and 3. This language is broader so that individuals are not inadvertently excluded. Cleanup language is added to change effective dates to match dates in SB 1369. Adds a provision to ensure that the definition of public school allows retirees in higher education to continue counting service in higher education towards eligibility for health insurance upon retirement.

CSHB 6 tightens language from the introduced version so that the annuitant is required to pay the total cost rather than “may be required to pay” to avoid the situation in which ERS subsidizes this benefit from the fund’s assets. Specifies that the Board has the authority to determine the total cost of participation for annuitant and the annuitant’s dependents.

CSHB 6 Contains new language relating to the implementation of an electronic benefits enrollment plan.