

## **BILL ANALYSIS**

C.S.S.B. 1369

By: Duncan

State Health Care Expenditures, Select  
Committee Report (Substituted)

### **BACKGROUND AND PURPOSE**

In 1985, the legislature created a comprehensive group health benefit plan for eligible retired Texas public school employees and their eligible dependents. Historically, the program has been funded through a combination of state, active teacher, and retiree contributions. However, program expenditures are now exceeding revenues. This bill sets forth changes to the Texas Public School Employees Group Benefit Act.

### **RULEMAKING AUTHORITY**

Rulemaking authority is expressly granted to the Teacher Retirement System of Texas in SECTION 4 (Section 1575.161, Insurance Code) and SECTION 9 (Section 1575.212, Insurance Code) of this bill.

### **ANALYSIS**

SECTION 1. Amends Section 1575.002, Insurance Code, as effective June 1, 2003, by repealing Subdivision (2) (defining “board of trustees”), amending Subdivisions (1), (3), (4), and (7), and adding Subdivision (6-a), to conform to Section 3.03, Chapter 1187, Acts of the 77th Legislature, Regular Session, 2001, and to conform more closely to the source law from which the section was derived, and further, as follows:

- (1) Redefines “active employee.”
- (3) Redefines “carrier.”
- (4) Redefines “fund.”
- (6-a) Defines “public school.”
- (7) Defines “trustee” rather than “system.”

SECTION 2. Amends Section 1575.004, Insurance Code, as effective June 1, 2003, to redefine “retiree.”

SECTION 3. (a) Amends Section 1575.153, Insurance Code, as effective June 1, 2003, to conform to Section 3.10, Chapter 1187, Acts of the 77th Legislature, Regular Session, 2001, and further, as follows:

Sec. 1575.153. New heading: BASIC COVERAGE. Prohibits the denial of coverage of a retiree who applies for coverage during an enrollment period in a basic plan provided under this chapter unless the Teacher Retirement System of Texas (TRS), rather than board of trustees, finds under Subchapter K that the retiree, rather than individual, defrauded or attempted to defraud the group program.

- (b) Repealer: Section 3.10 (relating to automatic coverage), Chapter 1187, Acts of the 77th Legislature, Regular Session, 2001.

SECTION 4. Amends Subchapter D, Chapter 1575, Insurance Code, as effective June 1, 2003, by adding Sections 1575.161 and 1575.162, as follows:

Sec. 1575.161. OPEN ENROLLMENT; ADDITIONAL ENROLLMENT PERIODS. (a)

Authorizes a retiree eligible for coverage under the group program to select any coverage provided under this chapter for which the person is otherwise eligible during certain time periods.

(b) Authorizes certain retirees to select coverage during alternative time periods under certain circumstances.

(c) Authorizes a retiree described by Subsection (b), if the retiree is not covered by the Medicare program, to enroll in the next-higher coverage tier under the group program and to add dependent coverage in that same coverage tier effective September 1, 2004.

(d) Authorizes a retiree described by Subsection (b), if the retiree is covered by the Medicare program, to enroll in any coverage tier under the group program and to add dependent coverage in that same coverage tier.

(e) Provides that this section does not affect the right of a retiree enrolled in a coverage tier under the group program to select a lower level of coverage at any time.

Sec. 1575.162. SPECIAL ENROLLMENTS. Provides that this chapter does not limit the ability of an individual to enroll in the group program if the individual meets certain criteria.

SECTION 5. Amends Section 1575.201, Insurance Code, as effective June 1, 2003, as follows:

Sec. 1575.201. New heading: ADDITIONAL STATE CONTRIBUTIONS; CERTAIN CONTRIBUTIONS. (a) Requires the state, through TRS, to contribute from money in the retired school employees group insurance fund the total cost of the basic plan covering each participating retiree, and for each participating individual, the amount prescribed by the General Appropriations Act to cover part of the cost of the basic plan covering the individual.

(b) Requires TRS to collect from an individual described by Subsection (a)(2) the amount of premium required for basic coverage under the group program that exceeds the amount contributed by the state.

SECTION 6. Amends Section 1575.202(a), Insurance Code, as effective June 1, 2003, as follows: Provides that each fiscal year the state will contribute in the amount of one percent of an active employees' salary to the fund.

SECTION 7. Amends Section 1575.203(a), Insurance Code, as effective June 1, 2003, to require each active employee, each state fiscal year, as a condition of employment, to contribute to the retired school employees group insurance fund an amount equal to 0.5, rather than 0.25 percent of the employee's salary.

SECTION 8. Amends Section 1575.204, Insurance Code, as effective June 1, 2003, as follows:

Sec. 1575.204. New heading: PUBLIC SCHOOL CONTRIBUTION. Requires each public school, each state fiscal year, to contribute to the retired school employees group insurance fund the amount prescribed by the General Appropriations Act, which is prohibited from being less than 0.25 percent or greater than 0.75 percent of the salary of each active employee of the public school. Requires the public school to make the contributions on a monthly basis and as otherwise prescribed by TRS. Deletes text regarding the ratio of state and active employee contributions.

SECTION 9. Amends Subchapter E, Chapter 1575, Insurance Code, as effective June 1, 2003, by adding Sections 1575.211 and 1575.212, as follows:

Sec. 1575.211. COST SHARING. (a) Requires the total costs for the operation of the group program to be shared among the state, the public schools, the active employees, and the retirees in the manner prescribed by the General Appropriations Act.

(b) Requires that, in determining the allocation of total costs under this section, the state pay not more than 55 percent of the total costs; retirees pay at least 30 percent of the total costs; and the balance be paid by active employees and public schools.

Sec. 1575.212. PAYMENT BY RETIREES; RANGES. (a) Requires TRS by rule to establish ranges for payment of the share of total costs allocated under Section 1575.211 to retirees, with different levels for certain retirees.

(b) Authorizes TRS, in establishing ranges for payment of the share of total costs allocated under Section 1575.211 to retirees, to consider the years of service credit accrued by a retiree and to reward those retirees with more years of service credit.

SECTION 10. Repealers: Section 1575.154 (Enrollment in Basic Plan by Retirees Required), Insurance Code, as effective June 1, 2003; and Section 823.401(h) (pertaining to out-of-state service credit), Government Code.

SECTION 11. Requires the comptroller of public accounts, effective September 1, 2003, to transfer \$42 million from the Texas school employees uniform group coverage trust fund established under Section 8, Article 3.50-7, Insurance Code, to the retired school employees group insurance fund described by Subchapter G, Chapter 1575, Insurance Code, to compensate the retired school employees group insurance fund for money transferred from that fund under Section 4.01, Chapter 1187, Acts of the 77th Legislature, Regular Session, 2001.

SECTION 12. Provides that the change in law made by this Act to Sections 1575.203(a), 1575.204, and 1575.211, Insurance Code, takes effect September 1, 2003.

SECTION 13. Provides that, to the extent of any conflict, this Act prevails over another Act of the 78th Legislature, Regular Session, 2003, relating to nonsubstantive additions to and corrections in enacted codes.

SECTION 14. Effective date: September 1, 2004, except as otherwise provided by this Act.

#### **EFFECTIVE DATE**

This act takes effect September 1, 2004, except as otherwise provided by this Act.

#### **COMPARISON OF ORIGINAL TO SUBSTITUTE**

The substitute adds to the definition of a “retiree” by inserting the following language “or with at least five years of service credit for actual public service in the public schools in this state and with five years of military service credited in the Teacher Retirement System of Texas; or” at the end of Section 1575.004 (1) (A), of the Insurance Code.

The substitute adds to the definition of a “retiree” by inserting the following language “or has at least five years of service credit for actual public service in the public schools in this state and has five years of military service credited in the Teacher Retirement System of Texas,” at the end of Section 1575.004 (1) (B), of the Insurance Code.

Adds a new SECTION 6 to the bill and renumbers the bill accordingly. SECTION 6 Amends Section

1575.202(a), Insurance Code, by striking “0.5” and replacing it with “one”.