

Amend CSSB 1176 (House Committee Printing) by adding the following appropriately numbered SECTIONS to the bill and renumbering subsequent SECTIONS of the bill accordingly:

SECTION _____. Section 1551.002, Insurance Code, is amended to read as follows:

Sec. 1551.002. PURPOSES. The purposes of this chapter are to:

(1) provide uniformity and individual choice and control in life, accident, and health benefit coverages for all state officers and employees and their dependents;

(2) enable the state to attract and retain competent and able employees by providing employees and their dependents with life, accident, and health benefit coverages at least equal to those commonly provided in private industry;

(3) foster, promote, and encourage employment by and service to the state as a career profession for individuals of high standards of competence and ability;

(4) recognize and protect the state's investment in each permanent employee by promoting and preserving economic security and good health among employees and their dependents;

(5) foster and develop high standards of employer-employee relationships between the state and its employees;

(6) recognize the long and faithful service and dedication of state officers and employees and encourage them to remain in state service until eligible for retirement by providing health benefits for them and their dependents; and

(7) recognize the service to the state by employees and retired employees of community supervision and corrections departments by extending to them and their dependents the same life, accident, and health benefit coverages as those provided under this chapter to state employees, retired state employees, and their dependents.

SECTION _____. Section 1551.011, Insurance Code, is amended to read as follows:

Sec. 1551.011. EXEMPTION FROM EXECUTION. All benefit payments, state contributions, contributions of employees and

annuitants, and optional benefit payments, any rights, benefits, or payments accruing to a person under this chapter, and all money in a fund created by this chapter:

(1) are exempt from execution, attachment, garnishment, or any other process; and

(2) may not be assigned, except:

(A) for direct payment that a participant may assign to a provider of health care services; and

(B) as specifically provided by this chapter.

SECTION . Section 1551.055, Insurance Code, is amended to read as follows:

Sec. 1551.055. GENERAL POWERS OF BOARD OF TRUSTEES REGARDING COVERAGE PLANS. The board of trustees may:

(1) prepare specifications for a coverage provided under this chapter;

(2) prescribe the time and conditions under which an employee, annuitant, or dependent is eligible for a coverage provided under this chapter;

(3) determine the methods and procedures of claims administration;

(4) determine the amount of payroll deductions and reductions applicable to employees and annuitants and establish procedures to implement those deductions and reductions;

(5) establish procedures for the board of trustees to decide contested cases arising from a coverage provided under this chapter;

(6) study, on an ongoing basis, the operation of all coverages provided under this chapter, including gross and net costs, administration costs, benefits, utilization of benefits, and claims administration;

(7) administer the employees life, accident, and health insurance and benefits fund;

(8) provide the beginning and ending dates of coverages of participants under all benefit plans;

(9) develop basic group coverage plans applicable to all individuals eligible to participate in the group benefits program under Sections 1551.101 and 1551.102;

(10) provide for optional group coverage plans in addition to the basic group coverage plans;

(11) provide, as the board of trustees determines is appropriate, either additional statewide optional coverage plans or individual agency coverage plans;

(12) develop health benefit plans that permit access to high-quality, cost-effective health care;

(13) design, implement, and monitor health benefit plan features intended to discourage excessive utilization, promote efficiency, and contain costs;

(14) develop and refine, on an ongoing basis, a health benefit strategy consistent with evolving benefit delivery systems;

(15) develop a funding strategy that efficiently uses employer contributions to achieve the purposes of this chapter and that is reasonable and ensures participants a fair choice among health benefit plans as provided by Section 1551.302; ~~and~~

(16) appoint an advisory committee for the group benefits program under the terms provided by Section 815.509, Government Code; and

(17) design, implement, and monitor, as a benefit under the group benefits program, the health savings account program established and operated under Subchapter J.

SECTION _____. Section 1551.201, Insurance Code, is amended by adding Subsection (d) to read as follows:

(d) The board of trustees must give individuals participating in the group benefits program the option of choosing a high deductible health plan to be used in conjunction with a health savings account established under Subchapter J. For purposes of this subsection, "high deductible health plan" has the meaning assigned by Section 1551.451.

SECTION _____. Section 1551.301, Insurance Code, is amended to read as follows:

Sec. 1551.301. FUNDING OF BASIC COVERAGE. The board of trustees shall use the amount appropriated for employer contributions in the manner provided by this subchapter to fund, as applicable, the basic coverage or participation in the health

savings account program under Subchapter J.

SECTION _____. Section 1551.303, Insurance Code, is amended to read as follows:

Sec. 1551.303. FUNDING OF OPTIONAL COVERAGES. The board of trustees may allocate any employer contributions remaining after the basic coverage or participation in the health savings account program under Subchapter J has been funded to fund optional coverages in any manner the board determines is appropriate.

SECTION _____. Section 1551.305, Insurance Code, is amended to read as follows:

Sec. 1551.305. COST OF BASIC COVERAGE AND CERTAIN OTHER BENEFITS EXCEEDING EMPLOYER CONTRIBUTIONS. If the cost of the basic coverage for an individual eligible to participate in the group benefits program under Section 1551.101 or 1551.102 or the cost of participation in the health savings account program under Subchapter J exceeds the amount of employer contributions allocated to fund the basic coverage or participation in the health savings account program, the state shall deduct from or reduce the monthly compensation of the participant or deduct from the retirement benefits of the participant, as applicable, an amount sufficient to pay the cost of the basic coverage or participation in the health savings account program.

SECTION _____. Section 1551.306, Insurance Code, is amended to read as follows:

Sec. 1551.306. PAYMENT OF CERTAIN EXCESS COST [~~OVER BASIC COVERAGE CONTRIBUTION~~]. (a) The board of trustees shall apply the amount of any employer contribution for optional coverages to the excess of:

(1) the cost of the basic and optional coverages for which an individual eligible to participate in the group benefits program under Section 1551.101 or 1551.102 applies over the basic coverage contribution; or

(2) the cost of participation in the health savings account program under Subchapter J and optional coverages that a participant selects over the amount of the state contribution under Section 1551.461.

(b) Except as provided by Section 1551.309, if a participant

applies for basic and optional coverages or participation in the health savings account program under Subchapter J and optional coverages for which the cost exceeds the employer contributions for those coverages or participation under this chapter, the participant shall authorize in a form and manner satisfactory to the board of trustees a deduction from the participant's monthly compensation or monthly annuity equal to the difference between:

(1) the cost of basic and optional coverages, or, as applicable, participation in the health savings account program under Subchapter J and optional coverages, for which the participant applies; and

(2) the employer contributions for basic and optional coverages, or, as applicable, participation in the health savings account program under Subchapter J and optional coverages.

SECTION _____. Section 1551.310, Insurance Code, is amended to read as follows:

Sec. 1551.310. STATE CONTRIBUTION REQUIRED. The state shall contribute to the cost of each participant's group coverages or participation in the health savings account program under Subchapter J, including dependents' group coverages and dependents' participation in the health savings account program under Subchapter J, the amounts appropriated for the coverages or participation in the General Appropriations Act.

SECTION _____. Section 1551.311(a), Insurance Code, is amended to read as follows:

(a) Not later than November 1 preceding each regular session of the legislature, the board of trustees shall certify to the Legislative Budget Board and the budget division of the governor's office for information and review the amount necessary to pay the contributions of the state to the board for participation in the health savings account program under Subchapter J or for the coverages provided under this chapter during the following biennium.

SECTION _____. Section 1551.314, Insurance Code, is amended to read as follows:

Sec. 1551.314. CERTAIN STATE CONTRIBUTIONS PROHIBITED. A state contribution may not be made for participation in the health

savings account program under Subchapter J or for coverages under this chapter selected by an individual who receives a state contribution, other than as a spouse, dependent, or beneficiary, for coverages under a group benefits program provided by an institution of higher education, as defined by Section 61.003, Education Code.

SECTION _____. Section 1551.315(a), Insurance Code, is amended to read as follows:

(a) The governing board of each state agency participating in the group benefits program shall pay to the board of trustees an amount equal to the amount appropriated by the legislature for each employee's individual group coverages or participation in the health savings account program under Subchapter J or dependents' group coverages or participation in the health savings account program under Subchapter J for the agency's employees who are, and annuitants who were, compensated from funds not appropriated in the General Appropriations Act, as applicable.

SECTION _____. Section 1551.318(a), Insurance Code, is amended to read as follows:

(a) The board of trustees shall certify to the governing board of each state agency participating in the group benefits program that provides contributions for its employees' group coverages or participation in the health savings account program under Subchapter J and dependents' group coverages or participation in the health savings account program under Subchapter J from operating budgets provided from sources other than the General Appropriations Act the proportionate amounts required to pay its contributions.

SECTION _____. Section 1551.319(a), Insurance Code, is amended to read as follows:

(a) A full-time employee receives the benefits of a full state contribution for coverage under this chapter or participation in the health savings account program under Subchapter J.

SECTION _____. Section 1551.401(d), Insurance Code, is amended to read as follows:

(d) The fund is available:

(1) without fiscal year limitation for all payments

for any coverages and benefits provided for under this chapter,
including the health savings account program under Subchapter J;
and

(2) for payment of expenses of administering this chapter within the limitations that may be specified annually by the legislature.

SECTION _____. Chapter 1551, Insurance Code, is amended by adding Subchapter J to read as follows:

SUBCHAPTER J. STATE HEALTH SAVINGS ACCOUNT PROGRAM

Sec. 1551.451. DEFINITIONS. In this subchapter:

(1) "High deductible health plan" means a health benefit plan that complies with Section 223(c), Internal Revenue Code of 1986, and its subsequent amendments, and other federal law.

(2) "Participant" means an individual who is:

(A) eligible to participate in the group benefits program; and

(B) enrolled in the program established under this subchapter.

(3) "Program" means the state health savings account program established under this subchapter and includes a health savings account and a high deductible health plan.

(4) "Qualified medical expense" means an expense paid by a participant for medical care, as defined by Section 213(d), Internal Revenue Code of 1986, and its subsequent amendments, for the participant or the participant's dependents as defined by Section 152, Internal Revenue Code of 1986, and its subsequent amendments.

Sec. 1551.452. ESTABLISHMENT OF STATE HEALTH SAVINGS ACCOUNT PROGRAM. (a) The state health savings account program is established for the benefit of individuals eligible to participate in the group benefits program and those individuals' eligible dependents.

(b) After final rules, plans, and procedures are adopted by the board of trustees and qualified by the Internal Revenue Service under Section 1551.453, the board of trustees shall:

(1) administer, or solicit bids for the administration of, health savings accounts under this subchapter;

(2) fund or purchase at least one high deductible health plan in accordance with Sections 1551.208-1551.216; and

(3) provide information to individuals eligible to participate in the group benefits program regarding the option to participate in and operation of health savings accounts and high deductible health plans established under this subchapter.

(c) The board of trustees shall adopt rules, plans, and procedures as necessary to administer this subchapter.

Sec. 1551.453. QUALIFICATION OF HEALTH SAVINGS ACCOUNTS.
The board of trustees shall request in writing a ruling or opinion from the Internal Revenue Service as to whether the program established under this subchapter and the rules adopted under this subchapter qualify the health savings accounts established under this subchapter for federal tax treatment as health savings accounts under Section 223(e), Internal Revenue Code of 1986, and its subsequent amendments, and any other appropriate federal tax exemptions. Based on the response of the Internal Revenue Service, the board of trustees shall:

(1) modify the rules, plans, and procedures adopted under Section 1551.452 as necessary to ensure the qualification of health savings accounts established under this subchapter for appropriate federal tax exemptions; and

(2) certify the information regarding federal tax qualifications to the comptroller.

Sec. 1551.454. ACCOUNT ADMINISTRATOR. (a) The account administrator of a health savings account established under this subchapter must be a person:

(1) qualified to serve as trustee under Section 223(d)(1)(B), Internal Revenue Code of 1986, and its subsequent amendments, and the rules adopted under that section; and

(2) experienced in administering health savings accounts or other similar trust accounts.

(b) The account administrator is the fiduciary of a participant who has a health savings account established under this subchapter.

(c) Section 1551.056(b) does not apply to the account administrator.

Sec. 1551.455. REQUIRED PARTICIPATION. Each state agency, including an institution of higher education, shall make participation in the program as provided by this subchapter available to employees and inform employees of an employee's option to participate in the program.

Sec. 1551.456. PROVISION OF COVERAGE. The program shall provide, through a high deductible health plan, health benefit plan coverage to a participant and, as provided by this chapter, to that participant's dependents.

Sec. 1551.457. HIGH DEDUCTIBLE HEALTH PLANS. The program must include a high deductible health plan.

Sec. 1551.458. PARTICIPATION IN PROGRAM. (a) Each individual eligible to participate in the group benefits program may participate in the program if the participant is an eligible individual under Section 223(c)(1), Internal Revenue Code of 1986, and its subsequent amendments. A participant in the program waives basic plan coverage and must be enrolled in a high deductible health plan.

(b) Participation in the program qualifies a participant to receive a contribution to a health savings account under Section 1551.461. An individual who elects not to participate in the program is not eligible to receive a contribution under Section 1551.461.

(c) An individual who elects to participate in the program is subject to Subchapter H in the same manner as an individual who participates in a group coverage plan offered under the group benefits program.

(d) Under this section, the board of trustees has exclusive authority to determine an individual's eligibility to participate in the program and shall adopt rules, plans, and procedures regarding eligibility to participate in the program.

Sec. 1551.459. COVERAGE FOR DEPENDENTS; REQUIRED CONTRIBUTIONS. (a) Subject to Subsection (d), a participant is entitled to obtain for the participant's dependents coverage in the high deductible health plan selected by the participant in the manner determined by the board of trustees.

(b) The participant shall make any required additional

contribution payments for the dependent coverage in the manner prescribed by the board of trustees.

(c) Amounts contributed by a participant under this section may be:

(1) used to pay the cost of coverage in the high deductible health plan not paid by the state under Section 1551.461(b)(1); or

(2) contributed to the health savings account provided to the participant.

(d) A participant's dependent who is covered by a high deductible health plan selected by the participant:

(1) is subject to Subchapter H in the same manner as a dependent who is covered by a group coverage plan offered under the group benefits program; and

(2) must be a dependent for purposes of:

(A) Section 152, Internal Revenue Code of 1986, and its subsequent amendments; and

(B) Section 1551.004.

Sec. 1551.460. IDENTIFICATION CARDS FOR PARTICIPANTS. (a) The board of trustees or the account administrator, as applicable, shall issue to each participant an identification card.

(b) The board of trustees or the account administrator, as applicable, shall issue a duplicate identification card to each participant's dependent for whom qualified medical expenses may be paid out of a health savings account established under the program.

Sec. 1551.461. STATE CONTRIBUTION. (a) For each participant, the state shall annually contribute:

(1) to a high deductible health plan in which the participant is enrolled, the same percentage of the cost of coverage under the high deductible health plan as the state annually contributes for a full-time or part-time employee covered by the basic coverage plan; and

(2) to the participant's health savings account, an amount determined by the board of trustees under Section 1551.462.

(b) For each participant's dependent covered by a high deductible health plan under Section 1551.459, the state shall annually contribute:

(1) to a high deductible health plan in which the dependent is enrolled, the same percentage of the cost of coverage under the high deductible health plan as the state annually contributes for dependent coverage in the basic coverage plan; and

(2) to the participant's health savings account, as allowed under federal law, the amount determined by the board of trustees under Section 1551.462.

(c) For a calendar year, the amount of state contributions under Subsections (a)(2) and (b)(2), in the aggregate, may not exceed the sum of the monthly limitations imposed by federal law for health savings accounts.

Sec. 1551.462. DETERMINATION OF STATE CONTRIBUTION TO HEALTH SAVINGS ACCOUNT. (a) The board of trustees by rule shall determine the amount of the state contribution to:

(1) a participant's health savings account under Section 1551.461(a)(2); and

(2) a participant's health savings account under Section 1551.461(b)(2).

(b) Subject to Section 1551.461(c), the amount of the state contribution under Section 1551.461(a)(2) must be an amount equal to or greater than 50 percent of the difference between the cost of coverage for a full-time or part-time employee covered by the basic coverage plan and a participant covered under the high deductible health plan.

(c) Subject to Section 1551.461(c), the amount of the state contribution under Section 1551.461(b)(2) must be an amount equal to or greater than 50 percent of the difference between the cost of dependent coverage under the basic coverage plan and dependent coverage under the high deductible health plan.

(d) The board of trustees shall establish state contributions under Subsection (a) in amounts that encourage participation in the program while, at the same time, maximize the use of state resources.

Sec. 1551.463. PARTICIPANT CONTRIBUTIONS. (a) Each participant, in accordance with Section 1551.305, shall contribute any amount required to cover the selected participation in the high deductible health plan that exceeds the state contribution amount

under Section 1551.461.

(b) A participant may contribute any amount allowed under federal law to the participant's health savings account. A participant may make a contribution under this section in addition to receiving the state contribution under Section 1551.461.

(c) A participant shall make contributions under this section in the manner prescribed by the board of trustees.

Sec. 1551.464. COORDINATION WITH CAFETERIA PLAN. (a) The board of trustees has exclusive authority to determine the eligibility of a participant in the program established under this subchapter to participate in any medical flexible savings account that is part of a cafeteria plan offered under this chapter.

(b) The board of trustees shall adopt rules, plans, and procedures regarding:

(1) the eligibility of a participant in the program established under this subchapter to participate in any medical flexible savings account that is part of a cafeteria plan offered under this chapter; and

(2) the coordination of benefits provided under this subchapter and any medical flexible savings account that is part of a cafeteria plan offered under this chapter.

(c) The rules adopted by the board of trustees under Subsection (b) must prohibit a participant in the program established under this chapter from participating in any medical flexible savings account that would disqualify the participant's health savings account from favorable tax treatment under federal law.

Sec. 1551.465. CONFIDENTIALITY OF RECORDS. To the extent allowed under federal law and subject to Section 1551.063, the board of trustees or the program administrator, as applicable, may disclose to a carrier information in an individual's records that the board of trustees determines is necessary to administer the program.

Sec. 1551.466. ASSISTANCE. In implementing and administering this subchapter, the board of trustees may obtain the assistance of any state agency the board of trustees considers appropriate.

SECTION _____. (a) During the initial implementation of Subchapter J, Chapter 1551, Insurance Code, as added by this Act, and notwithstanding other requirements set forth in Chapter 1551, Insurance Code, an advisory council shall be created for the purpose of overseeing the design of the state health savings account program consisting of seven members, including a nonvoting ex officio member, being the executive director of the Employees Retirement System of Texas.

(b) The governor of Texas shall designate a chair to the advisory council in conjunction with appointing three members: a representative from the public sector, a representative from the private sector, and an actuary, preferably having experience in the area of health savings accounts; the lieutenant governor of Texas shall appoint two members from the Texas Senate; and the speaker of the Texas House of Representatives shall appoint two members from the Texas House of Representatives.

SECTION _____. The Employees Retirement System of Texas shall develop the health savings account program to be implemented under Subchapter J, Chapter 1551, Insurance Code, as added by this Act, beginning September 1, 2005, and shall develop enrollment requirements for the program during 2005-2006, with coverage beginning, subject to the Internal Revenue Service qualifying the health savings account program under Section 1551.453, Insurance Code, as added by this Act, September 1, 2006.

SECTION _____. Not later than July 31, 2006, and subject to the Internal Revenue Service qualifying the health savings account program under Section 1551.453, Insurance Code, as added by this Act, the Employees Retirement System of Texas shall provide written information to individuals eligible to participate in the state health savings account program under Subchapter J, Chapter 1551, Insurance Code, as added by this Act, that provides a general description of the requirements for such a program as adopted under Subchapter J, Chapter 1551, Insurance Code, as amended by this Act.

SECTION _____. During the initial implementation of Subchapter J, Chapter 1551, Insurance Code, as added by this Act, and notwithstanding any bidding requirements or other requirements set forth in Chapter 1551, Insurance Code, as that chapter existed

before amendment by this Act, the Employees Retirement System of Texas may amend any agreement in effect on September 1, 2006, that it has entered into as necessary to comply with Subchapter J, Chapter 1551, Insurance Code, as amended by this Act.

SECTION . The Employees Retirement System of Texas shall develop and implement the health savings account program under Subchapter J, Chapter 1551, Insurance Code, as amended by this Act, in a manner that is as revenue neutral as is possible.