

## **BILL ANALYSIS**

H.B. 966  
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Pensions  
Committee Report (Unamended)

### **BACKGROUND AND PURPOSE**

Interested parties note that the increasing cost of health insurance threatens the stability and solvency of the employee health insurance program of the Employees Retirement System of Texas (ERS). These parties assert that one of the most effective ways to combat the increasing cost of health insurance is to offer employees a health plan that includes a high-deductible health insurance plan combined with a health savings account. H.B. 966 seeks to help ensure the stability and solvency of the ERS health insurance program by providing state employees the option to participate in such a health plan.

### **CRIMINAL JUSTICE IMPACT**

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

### **RULEMAKING AUTHORITY**

It is the committee's opinion that rulemaking authority is expressly granted to the board of trustees of the Employees Retirement System of Texas in SECTION 1 of this bill.

### **ANALYSIS**

H.B. 966 amends the Insurance Code to establish a state consumer-directed health plan for the benefit of individuals eligible to participate in the group benefits program provided under the Texas Employees Group Benefits Act and those individuals' eligible dependents. The bill authorizes the board of trustees of the Employees Retirement System of Texas (ERS) to adopt rules necessary to administer the state consumer-directed health plan. The bill requires the ERS board of trustees, in implementing the bill's provisions, to establish health savings accounts and to administer or select an administrator for the accounts, to finance a self-funded high deductible health plan that is an integral part of the state consumer-directed health plan and provides health benefit coverage to a plan enrollee in the state consumer-directed health plan and to the dependents of a plan enrollee, and to provide individuals eligible to participate in the group benefits program information regarding the operation of and option to participate in the state consumer-directed health plan. The bill requires the ERS board of trustees, in adopting rules and administering health savings accounts or selecting administrators for health savings accounts for the state consumer-directed health plan, to ensure that the health savings accounts are qualified for appropriate federal tax exemptions.

H.B. 966 requires an account administrator selected to administer a health savings account established under the state consumer-directed health plan to be qualified to serve as trustee under the federal Internal Revenue Code of 1986 and to be experienced in administering health savings accounts or other similar trust accounts. The bill establishes that an account administrator is the fiduciary of a plan enrollee who has a health savings account established under the state consumer-directed health plan.

H.B. 966 authorizes each individual eligible to participate in the basic coverage under the Texas Employees Group Benefits Act to choose instead to participate in the state consumer-directed health plan if the plan enrollee is an eligible individual under the federal Internal Revenue Code of 1986. The bill authorizes the dependents of a plan enrollee to participate in the state consumer-directed health plan. The bill establishes that participation in the state consumer-directed health plan qualifies a plan enrollee to receive a state contribution to a health savings account and makes an individual who elects not to participate in the plan ineligible to receive such a contribution. The bill establishes that the ERS board of trustees has exclusive authority to determine an individual's eligibility to participate in the state consumer-directed health plan and authorizes the ERS board of trustees to adopt rules regarding eligibility to participate in the plan.

H.B. 966 authorizes a state consumer-directed health plan enrollee to obtain coverage in the state consumer-directed health plan for the enrollee's dependents in the manner determined by the ERS board of trustees. The bill requires a plan enrollee that elects to obtain dependent coverage to pay any required contribution for the dependent coverage in the state consumer-directed health plan in the manner prescribed by the ERS board of trustees. The bill authorizes the amounts contributed by a plan enrollee for dependent coverage to be used to pay the cost of coverage in the high deductible health plan not paid by the state or to be allocated by the ERS board of trustees to an enrollee's health savings account.

H.B. 966 requires the state, for each state consumer-directed health plan enrollee, to annually contribute to a high deductible health plan under the bill's provisions from the state contribution that would otherwise be made for basic coverage for the enrollee the amount necessary to pay the cost of coverage under the high deductible health plan and that does not exceed the amount the state annually contributes for a full-time or part-time employee, as applicable, who is covered by the basic coverage. The bill requires the state, for each plan enrollee's dependent covered under the state consumer-directed health plan, to annually contribute to the high deductible health plan from the state contribution that would otherwise be made for basic coverage for the dependent 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.

H.B. 966 authorizes the ERS board of trustees, before each plan year, to determine the amount of allocation of the state's contribution, if any, to an enrollee's health savings account that would otherwise be made for basic coverage for the enrollee and that remains after payment for coverage for the plan enrollee or the enrollee's dependents. The bill prohibits the aggregate amount of any allocations of the state's or plan enrollee's contribution to the enrollee's health savings account for a calendar year from exceeding the sum of the monthly limitations imposed by federal law for health savings accounts.

H.B. 966 requires each state consumer-directed health plan enrollee to contribute any amount required to cover the selected participation in the high deductible health plan that exceeds the state contribution amount. The bill authorizes a plan enrollee to contribute any amount allowed under federal law to the enrollee's health savings account in addition to the state contribution. The bill requires a plan enrollee to make enrollee contributions in the manner prescribed by the ERS board of trustees.

H.B. 966 grants the ERS board of trustees exclusive authority to determine the eligibility of a state consumer-directed health plan enrollee to participate in any flexible spending account that is part of a cafeteria plan offered under the Texas Employees Group Benefits Act. The bill authorizes the ERS board of trustees to adopt rules regarding the eligibility of a plan enrollee to participate in any flexible spending account that is part of a cafeteria plan offered under that act. The bill prohibits a plan enrollee from participating in any flexible spending account that would disqualify the enrollee's health savings account from favorable tax treatment under federal law.

H.B. 966 exempts a state contribution to a health savings account or a high deductible health

plan from execution and makes such a contribution unassignable in the same manner and to the same extent as other benefit payments, contributions of employees and annuitants, and optional benefit payments; any rights, benefits, or payments accruing to a person under the Texas Employees Group Benefits Act; and all money in a fund created by that act.

H.B. 966 requires ERS to develop the state consumer-directed health plan, including enrollment requirements, during the 2016–2017 state fiscal biennium, with coverage beginning September 1, 2016. The bill requires ERS, not later than July 31, 2016, to provide written information to individuals eligible to participate in the state consumer-directed health plan that provides a general description of the requirements for the plan. The bill requires ERS to develop and implement the health savings account program in a manner that is as revenue neutral as possible.

**EFFECTIVE DATE**

September 1, 2015.