



House of Representatives

General Assembly

File No. 278

January Session, 2001

Substitute House Bill No. 6712

House of Representatives, April 12, 2001

The Committee on Insurance and Real Estate reported through REP. JARJURA of the 74th Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

**AN ACT CONCERNING COVERAGE FOR NONPROFIT PROVIDERS
AND MUNICIPAL EMPLOYEES UNDER THE STATE EMPLOYEE
HEALTH PLAN.**

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Subsection (i) of section 5-259 of the general statutes is
2 repealed and the following is substituted in lieu thereof:

3 (i) The Comptroller may provide for coverage of municipal
4 employees or employees of nonprofit corporations under the plan or
5 plans procured under subsection (a) of this section, provided: (1)
6 Participation by each municipal employer or nonprofit corporation
7 shall be on a voluntary basis; (2) where an employee organization
8 represents employees in a municipality or nonprofit corporation,
9 participation in a plan or plans to be procured under subsection (a) of
10 this section shall be by mutual agreement of the municipal employer
11 and the employee organization only and neither party may submit the
12 issue of participation to binding arbitration except by mutual

13 agreement; (3) no group of employees shall be refused entry into the
14 plan by reason of past or future health care costs or claim experience;
15 (4) rates paid by the state for its employees under subsection (a) of this
16 section are not adversely affected by this subsection; (5) administrative
17 costs to the plan or plans provided under this subsection shall be paid
18 by the participating municipality or nonprofit corporation at no
19 additional cost to the state; and (6) participation in the plan or plans in
20 an amount determined by the state shall be for the duration of the
21 period of the plan or plans, or for such other period as mutually
22 agreed by the municipality or nonprofit corporation and the
23 Comptroller. The Comptroller, with the approval of the Secretary of
24 the Office of Policy and Management, may arrange and procure for the
25 employees under this subsection health benefit plans that vary from
26 the plan or plans procured under subsection (a) of this section. Such
27 alternate plans may be offered to municipal employees on a fully
28 underwritten basis only. Notwithstanding any provision of law, such
29 alternate plan may be offered to employees of nonprofit corporations
30 on either a fully underwritten or risk-pooled basis at the discretion of
31 the Comptroller. For the purposes of this subsection, (A)
32 "municipality" means any town, city, borough, school district, taxing
33 district, fire district, district department of health, probate district,
34 housing authority, regional work force development board established
35 under section 31-3k, flood commission or authority established by
36 special act, regional planning agency, transit district formed under
37 chapter 103a₂, or the Children's Center established by number 571 of
38 the public acts of 1969; and (B) "nonprofit corporation" means a
39 nonprofit corporation organized under 26 USC 501(c)(3) that has a
40 contract with the state.

41 Sec. 2. Subdivision (4) of section 38a-564 of the general statutes is
42 repealed and the following is substituted in lieu thereof:

43 (4) "Small employer" means any person, firm, corporation, limited
44 liability company, partnership or association actively engaged in

45 business or self-employed for at least three consecutive months who,
46 on at least fifty per cent of its working days during the preceding
47 twelve months, employed no more than fifty eligible employees, the
48 majority of whom were employed within the state of Connecticut.
49 "Small employer" includes a self-employed individual. In determining
50 the number of eligible employees, companies which are affiliated
51 companies, as defined in section 33-840, or which are eligible to file a
52 combined tax return for purposes of taxation under chapter 208 shall
53 be considered one employer. Eligible employees shall not include
54 employees covered through the employer by health insurance plans or
55 insurance arrangements issued to or in accordance with a trust
56 established pursuant to collective bargaining subject to the federal
57 Labor Management Relations Act. Except as otherwise specifically
58 provided, provisions of sections 12-201, 12-211, 12-212a and 38a-564 to
59 38a-572, inclusive, which apply to a small employer shall continue to
60 apply until the plan anniversary following the date the employer no
61 longer meets the requirements of this definition. "Small employer"
62 does not include (A) a municipality procuring health insurance
63 pursuant to section 5-259, as amended by this act, [or] (B) a private
64 school in this state procuring health insurance through a health
65 insurance plan or an insurance arrangement sponsored by an
66 association of such private schools, or (C) a nonprofit organization
67 procuring health insurance pursuant to section 5-259, as amended by
68 this act, unless the Secretary of the Office of Policy and Management
69 and the State Comptroller make a request in writing to the Insurance
70 Commissioner that such nonprofit organization be deemed a small
71 employer for the purposes of this chapter.

72 Sec. 3. Subsection (b) of section 12-202a of the general statutes is
73 repealed and the following is substituted in lieu thereof:

74 (b) Notwithstanding the provisions of subsection (a) of this section,
75 the tax shall not apply to: (1) Any new or renewal contract or policy
76 entered into with the state on or after July 1, 1997, to provide health

77 care coverage to state employees, retirees and their dependents; (2) any
78 subscriber charges received from the federal government to provide
79 coverage for Medicare patients; (3) any subscriber charges received
80 under a contract or policy entered into with the state to provide health
81 care coverage to Medicaid recipients under the Medicaid managed
82 care program established pursuant to section 17b-28, which charges
83 are attributable to a period on or after January 1, 1998; (4) any new or
84 renewal contract or policy entered into with the state on or after April
85 1, 1998, to provide health care coverage to eligible beneficiaries under
86 the HUSKY Medicaid Plan Part A, HUSKY Part B, or the HUSKY Plus
87 programs, each as defined in section 17b-290; (5) any new or renewal
88 contract or policy entered into with the state on or after April 1, 1998,
89 to provide health care coverage to recipients of state-administered
90 general assistance pursuant to section 17b-257; [or] (6) any new or
91 renewal contract or policy entered into with the state on or after
92 February 1, 2000, to provide health care coverage to retired teachers,
93 spouses or surviving spouses covered by plans offered by the state
94 teachers' retirement system; (7) any new or renewal contract or policy
95 entered into on or after July 1, 2001, to provide health care coverage to
96 employees of a municipality under a plan procured pursuant to section
97 5-259, as amended by this act; or (8) any new or renewal contract or
98 policy entered into on or after July 1, 2001, to provide health care
99 coverage to employees of nonprofit organizations and their
100 dependents under a plan procured pursuant to section 5-259, as
101 amended by this act.

102 Sec. 4. This act shall take effect July 1, 2001.

INS **JOINT FAVORABLE SUBST.**

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either House thereof for any purpose:

OFA Fiscal Note

State Impact: See Explanation Below

Affected Agencies: Various

Municipal Impact: See Explanation Below

Explanation

State Impact:

The bill extends eligibility to nonprofit organizations for health insurance procured by the Comptroller. The administrative cost to the plan shall be paid by the participants and in no way shall the rates paid by the state for its employees be increased.

There are approximately 500 nonprofits that provide day, residential or outpatient services and contract with various state agencies.

Currently, the state offers the Municipal Employees Health Insurance Program (MEHIP) in which 27 municipalities participate. MEHIP is sponsored by the Office of the State Comptroller (OSC) and managed by a third party administrator (TPA). By design, any costs incurred by the program are passed on to the participants and therefore, the OSC does not bear any costs associated with this program.

From April of 2000 to March of 2001 the TPA incurred \$83,618 in administrative costs (1.5% of the premium) representing approximately 1,868 lives in 27 municipalities.

Participating nonprofit providers would incur both administrative and benefit costs. To the extent that this would be lower than the provider's current health related costs, a savings would result. If a provider currently does not offer this benefit and chooses to do so, then depending on the varying level of employer contribution an additional cost may result. To the extent that any impact (cost or savings) is realized by the private providers due to the participation in health plans procured by the Comptroller and is passed through to the state in future contract costs, the state may also realize this impact (cost or savings). The extent of this future impact cannot be determined at this time.

Certain private non-profit organizations that receive funding from both the Departments of Children and Families and Education have rates, established under the state's Single Cost Accounting Regulations, under which insurance costs are defined to be an allowable fixed cost. As each facility's rate calculation in any given fiscal year is based upon audited allowable costs two fiscal years prior, any change in these costs commencing in FY 02, given passage of this bill, will first be reflected in rates set in FY 04. For reasons discussed above, it cannot be determined at this time whether these costs will rise or fall for any given residential treatment facility. The DCF and SDE will incur corresponding costs or savings, to the extent that rates increase or decrease in the aggregate.

In addition, this bill excludes the policies that cover the employees of nonprofit organizations and municipalities who participate in programs procured by the Comptroller, from the premium tax imposed on health maintenance organizations. As the current level of premium in the municipal program is identifiable, a loss in revenue of

less than \$100,000 is anticipated due to this exclusion. The estimated nonprofit employees currently receiving health care benefits that would then shift their coverage to this program, are indeterminate at this time. Based on these municipal assumptions, a revenue loss of \$52,500 per 1,000 employees participating would result.

Municipal Impact:

As a result of the additional participants in the MEHIP program, municipalities may incur a savings due to a reduction in the health related costs. Such potential savings is indeterminate at this time.

OLR Bill Analysis

sHB 6712

AN ACT CONCERNING COVERAGE FOR NONPROFIT PROVIDERS AND MUNICIPAL EMPLOYEES UNDER THE STATE EMPLOYEE HEALTH PLAN.**SUMMARY:**

This bill adds employees of certain nonprofit organizations to the list of employees for whom the comptroller, with the Office of Policy and Management (OPM) secretary's approval, is authorized to arrange a group hospital, medical, and surgical health insurance plan. It also authorizes the comptroller, with the OPM secretary's approval, to arrange an alternative health benefit plan for municipal and nonprofit organization employees. Under current law, the comptroller arranges health benefit plans for state employees, legislators, participants in alternative retirement plans, and probate court judges and employees, among others.

The bill excludes (1) nonprofit organizations that obtain coverage through the comptroller from the definition of small employer under the statutory Blue Ribbon Health Care Plan unless the comptroller and OPM secretary make a written request to the insurance commissioner to deem the organization a small employer and (2) new or renewal contracts or policies covering the employees of nonprofit organizations and municipalities from the premium tax imposed on HMOs beginning July 1, 2001.

EFFECTIVE DATE: July 1, 2001

STATE HEALTH INSURANCE PLAN***Participation Requirements***

The bill defines a nonprofit corporation as a 501(c)(3) corporation under contract with the state and specifies that it must comply with the following conditions to participate in the state health plan:

1. participation must be voluntary;
2. if an employee organization represents employees, both the employee organization and the nonprofit corporation must agree to participate in the plan and neither may submit the question of participating in binding arbitration without the other's consent;
3. no group of employees may be denied participation in the plan because of past or future health care costs or claims experience;
4. rates paid by the state for its employees may not be adversely affected, and administrative costs to the plan must be paid by participating nonprofit corporations at no cost to the state; and
5. participation in the plan in an amount determined by the state must be for the plan duration or such other period as mutually agreed upon by the nonprofit corporation and the comptroller.

The participation requirements already apply to municipal employees.

ALTERNATIVE HEALTH PLAN

The bill authorizes the comptroller to arrange an alternative health benefit plan for employees of nonprofit organizations and municipalities. The comptroller may offer the plan to municipal employees on a fully insured basis and to nonprofit organization employees on either a fully insured or risk-pooled basis.

Insurance and Real Estate Committee

Joint Favorable Substitute
Yea 18 Nay 0