



Senate

General Assembly

File No. 727

January Session, 2003

Substitute Senate Bill No. 353

Senate, May 19, 2003

The Committee on Finance, Revenue and Bonding reported through SEN. DAILY of the 33rd Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

AN ACT EXPANDING COVERAGE UNDER THE STATE EMPLOYEE HEALTH PLAN.

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

1 Section 1. Section 5-259 of the general statutes is repealed and the
2 following is substituted in lieu thereof (*Effective from passage*):

3 (a) The Comptroller, with the approval of the Attorney General and
4 of the Insurance Commissioner, shall arrange and procure a group
5 hospitalization and medical and surgical insurance plan or plans for
6 (1) state employees, (2) members of the General Assembly who elect
7 coverage under such plan or plans, (3) participants in an alternate
8 retirement program who meet the service requirements of section
9 5-162 or subsection (a) of section 5-166, (4) anyone receiving benefits
10 under section 5-144 or from any state-sponsored retirement system,
11 except the teachers' retirement system and the municipal employees
12 retirement system, (5) judges of probate and Probate Court employees,

13 (6) the surviving spouse, until remarriage, and any dependent children
14 until they reach the age of eighteen, of a member of an organized local
15 police department or a constable who performs criminal law
16 enforcement duties who dies as the result of injuries received while
17 acting within the scope of such officer's or constable's employment and
18 not as the result of illness or natural causes, (7) employees of the
19 Capital City Economic Development Authority established by section
20 32-601, and (8) the surviving spouse and dependent children of any
21 employee of a municipality who dies on or after October 1, 2000, as the
22 result of injuries received while acting within the scope of such
23 employee's employment and not as the result of illness or natural
24 causes, and whose surviving spouse and dependent children are not
25 otherwise eligible for a group hospitalization and medical and surgical
26 insurance plan. For purposes of this subdivision, "employee" means
27 any regular employee or elective officer receiving pay from a
28 municipality, and "municipality" means any town, city, borough,
29 school district, taxing district, fire district, district department of
30 health, probate district, housing authority, regional work force
31 development board established under section 31-3k, flood commission
32 or authority established by special act or regional planning agency.
33 The minimum benefits to be provided by such plan or plans shall be
34 substantially equal in value to the benefits which each such employee
35 or member of the General Assembly could secure in such plan or plans
36 on an individual basis on the preceding first day of July. The state shall
37 pay for each such employee and each member of the General
38 Assembly covered by such plan or plans the portion of the premium
39 charged for such member's or employee's individual coverage and
40 seventy per cent of the additional cost of the form of coverage and
41 such amount shall be credited to the total premiums owed by such
42 employee or member of the General Assembly for the form of such
43 member's or employee's coverage under such plan or plans. On and
44 after January 1, 1989, the state shall pay for anyone receiving benefits
45 from any such state-sponsored retirement system one hundred per
46 cent of the portion of the premium charged for such member's or
47 employee's individual coverage and one hundred per cent of any

48 additional cost for the form of coverage. The balance of any premiums
49 payable by an individual employee or by a member of the General
50 Assembly for the form of coverage shall be deducted from the payroll
51 by the State Comptroller. The total premiums payable shall be remitted
52 by the Comptroller to the insurance company or companies or
53 nonprofit organization or organizations providing the coverage. The
54 amount of the state's contribution per employee for a health
55 maintenance organization option shall be equal, in terms of dollars and
56 cents, to the largest amount of the contribution per employee paid for
57 any other option which is available to all eligible state employees
58 included in the health benefits plan, but shall not be required to exceed
59 the amount of the health maintenance organization premium.

60 (b) The insurance coverage procured under subsection (a) of this
61 section for active state employees, employees of the Connecticut
62 Institute for Municipal Studies, anyone receiving benefits from any
63 such state-sponsored retirement system and members of the General
64 Assembly, who are over sixty-five years of age, may be modified to
65 reflect benefits available to such employees or members pursuant to
66 Social Security and medical benefits programs administered by the
67 federal government, provided any payments required to secure such
68 benefits administered by the federal government shall be paid by the
69 Comptroller either directly to the employee or members or to the
70 agency of the federal government authorized to collect such payments.

71 (c) On October 1, 1972, the Comptroller shall continue to afford
72 payroll deduction services for employees participating in existing
73 authorized plans covering state employees until such time as the
74 employee elects in writing to be covered by the plan authorized by
75 subsection (a) of this section.

76 (d) Notwithstanding the provisions of subsection (a) of this section,
77 the state shall pay for a member of any such state-sponsored
78 retirement system, or a participant in an alternate retirement program
79 who meets the service requirements of section 5-162 or subsection (a)
80 of section 5-166, and who begins receiving benefits from such system

81 or program on or after November 1, 1989, eighty per cent of the
82 portion of the premium charged for his individual coverage and eighty
83 per cent of any additional cost for his form of coverage. Upon the
84 death of any such member, any surviving spouse of such member who
85 begins receiving benefits from such system shall be eligible for
86 coverage under this section and the state shall pay for any such spouse
87 eighty per cent of the portion of the premium charged for his
88 individual coverage and eighty per cent of any additional cost for his
89 form of coverage.

90 (e) Notwithstanding the provisions of subsection (a) of this section,
91 (1) vending stand operators eligible for membership in the state
92 employee's retirement system pursuant to section 5-175a, shall be
93 eligible for coverage under the group hospitalization and medical and
94 surgical insurance plans procured under this section, provided the cost
95 for such operators' insurance coverage shall be paid by the Board of
96 Education and Services for the Blind from vending machine income
97 pursuant to section 10-303₂, and (2) blind persons employed in
98 workshops established pursuant to section 10-298a, shall be eligible for
99 coverage under the group hospitalization and medical and surgical
100 insurance plans procured under this section, provided the cost for such
101 persons' insurance coverage shall be paid by the Board of Education
102 and Services for the Blind.

103 (f) The Comptroller, with the approval of the Attorney General and
104 of the Insurance Commissioner, shall arrange and procure a group
105 hospitalization and medical and surgical insurance plan or plans for
106 any person designated a foster parent or a parent in a permanent
107 family residence by the Department of Children and Families for six
108 months or more, and any dependent of such parent, who elects
109 coverage under such plan or plans. The Comptroller may also arrange
110 for inclusion of such person and any dependent in an existing group
111 hospitalization and medical and surgical insurance plan offered by the
112 state. Any foster parent or a parent in a permanent family residence
113 and any dependent who elects coverage shall pay one hundred per
114 cent of the premium charged for such coverage directly to the insurer,

115 provided such foster parent or parent and all such dependents shall be
116 included in such group hospitalization and medical and surgical
117 insurance plan. A person and his dependents electing coverage
118 pursuant to this subsection shall be eligible for such coverage until no
119 longer designated a foster parent or a parent in a permanent family
120 residence. As used in this section "dependent" means a spouse or
121 natural or adopted child if such child is wholly or partially dependent
122 for support upon the foster parent or parent in a permanent family
123 residence.

124 (g) Notwithstanding the provisions of subsection (a) of this section,
125 the Probate Court Administration Fund established in accordance with
126 section 45a-82, shall pay for each probate judge and Probate Court
127 employee not more than one hundred per cent of the portion of the
128 premium charged for his individual coverage and not more than fifty
129 per cent of any additional cost for his form of coverage. The remainder
130 of the premium for such coverage shall be paid by the probate judge or
131 Probate Court employee to the State Treasurer. Payment shall be
132 credited by the State Treasurer to the fund established by section 45a-
133 82. The total premiums payable shall be remitted by the Probate Court
134 Administrator directly to the insurance company or companies or
135 nonprofit organization or organizations providing the coverage. The
136 Probate Court Administrator shall establish regulations governing
137 group hospitalization and medical and surgical insurance in
138 accordance with subdivision (1) of subsection (b) of section 45a-77.

139 (h) For the purpose of subsection (g) of this section, "Probate Court
140 employee" means a person employed by a probate court for at least
141 twenty hours per week.

142 (i) The Comptroller may provide for coverage of [municipal
143 employees or] employees of municipalities, nonprofit corporations,
144 community action agencies and small employers under the plan or
145 plans procured under subsection (a) of this section, provided: (1)
146 Participation by each [municipal employer or] municipality, nonprofit
147 corporation, community action agency or small employer shall be on a

148 voluntary basis; (2) where an employee organization represents
149 employees [in] of a municipality, [or] nonprofit corporation,
150 community action agency or small employer, participation in a plan or
151 plans to be procured under subsection (a) of this section shall be by
152 mutual agreement of the [municipal employer] municipality, nonprofit
153 corporation, community action agency or small employer and the
154 employee organization only and neither party may submit the issue of
155 participation to binding arbitration except by mutual agreement if
156 such binding arbitration is available; (3) no group of employees shall
157 be refused entry into the plan by reason of past or future health care
158 costs or claim experience; (4) rates paid by the state for its employees
159 under subsection (a) of this section are not adversely affected by this
160 subsection; (5) administrative costs to the plan or plans provided
161 under this subsection shall [be paid by the participating municipality
162 or nonprofit corporation at no additional cost to] not be paid by the
163 state; and (6) participation in the plan or plans in an amount
164 determined by the state shall be for the duration of the period of the
165 plan or plans, or for such other period as mutually agreed by the
166 municipality, [or] nonprofit corporation, community action agency or
167 small employer and the Comptroller. The Comptroller [, with the
168 approval of the Secretary of the Office of Policy and Management,]
169 may arrange and procure for the employees under this subsection
170 health benefit plans that vary from the plan or plans procured under
171 subsection (a) of this section. [Such alternate plans may be offered to
172 municipal employees on a fully underwritten basis only.]
173 Notwithstanding any provision of law [, such alternate plan] the
174 coverage provided under this subsection may be offered to employees
175 [of nonprofit corporations] on either a fully underwritten or risk-
176 pooled basis at the discretion of the Comptroller, except that coverage
177 offered to small employers shall be fully underwritten in accordance
178 with part V of chapter 700c. For the purposes of this subsection, (A)
179 "municipality" means any town, city, borough, school district, taxing
180 district, fire district, district department of health, probate district,
181 housing authority, regional work force development board established
182 under section 31-3k, flood commission or authority established by

183 special act, regional planning agency, transit district formed under
184 chapter 103a, or the Children's Center established by number 571 of
185 the public acts of 1969; [and] (B) "nonprofit corporation" means a
186 nonprofit corporation organized under 26 USC [501(c)(3) that has a
187 contract with the state] 501; (C) "community action agency" means a
188 community action agency, as defined in section 17b-885; and (D) "small
189 employer" means a small employer, as defined in section 38a-564.

190 (j) (1) Notwithstanding any provision of law to the contrary, the
191 existing rights and obligations of state employee organizations and the
192 state employer under current law and contract shall not be impaired
193 by the provisions of this section. (2) Other conditions of entry for any
194 group into the plan or plans procured under subsection (a) of this
195 section shall be determined by the Comptroller upon the
196 recommendation of a coalition committee established pursuant to
197 subsection (f) of section 5-278, except for such conditions referenced in
198 subsection (g) of this section. (3) Additional determinations by the
199 Comptroller on (A) issues generated by any group's actual or
200 contemplated participation in the plan or plans, (B) modifications to
201 the terms and conditions of any group's continued participation, (C)
202 related matters shall be made upon the recommendation of such
203 committee. (4) Notwithstanding any provision of law to the contrary, a
204 municipal employer and an employee organization may upon mutual
205 agreement reopen a collective bargaining agreement for the exclusive
206 purpose of negotiating on the participation by such municipal
207 employer or employee organization in the plan or plans offered under
208 the provisions of this section.

209 (k) The Comptroller shall submit annually to the General Assembly
210 a review of the coverage of [municipal] employees [under the state
211 health plan] of municipalities, nonprofit corporations, community
212 action agencies and small employers under subsection (i) of this
213 section beginning February 1, [1998] 2004.

214 (l) (1) Effective July 1, 1996, any deputies or special deputies
215 appointed pursuant to section 6-37 of the general statutes, revision of

216 1958, revised to 1999, or section 6-43, shall be allowed to participate in
217 the plan or plans procured by the Comptroller pursuant to subsection
218 (a) of this section. Such participation shall be voluntary and the
219 participant shall pay the full cost of the coverage under such plan.

220 (2) Effective December 1, 2000, any state marshal shall be allowed to
221 participate in the plan or plans procured by the Comptroller pursuant
222 to subsection (a) of this section. Such participation shall be voluntary
223 and the participant shall pay the full cost of the coverage under such
224 plan.

225 (3) Effective December 1, 2000, any judicial marshal shall be allowed
226 to participate in the plan or plans procured by the Comptroller
227 pursuant to subsection (a) of this section. Such participation shall be
228 voluntary and the participant shall pay the full cost of the coverage
229 under such plan unless and until the judicial marshals participate in
230 the plan or plans procured by the Comptroller under section 5-259
231 through collective bargaining negotiations pursuant to subsection (f) of
232 section 5-278.

233 [(m) The Comptroller may provide for coverage of employees of
234 community action agencies, as defined in subsection (b) of section 17b-
235 885, under the plan or plans procured under subsection (a) of this
236 section, provided: (1) Participation by each such agency shall be on a
237 voluntary basis; (2) where an employee organization represents
238 employees in such agency, participation in a plan or plans to be
239 procured under subsection (a) of this section shall be by mutual
240 agreement of the agency and the employee organization only and
241 neither party may submit the issue of participation to binding
242 arbitration except by mutual agreement; (3) no group of employees
243 shall be refused entry into the plan by reason of past or future health
244 care costs or claim experience; (4) rates paid by the state for its
245 employees under subsection (a) of this section are not adversely
246 affected by this subsection; (5) administrative costs to the plan or plans
247 provided under this subsection shall be paid by the participating
248 agency at no additional cost to the state; and (6) participation in the

249 plan or plans in an amount determined by the state shall be for the
 250 duration of the period of the plan or plans, or for such other period as
 251 mutually agreed upon by the agency and the Comptroller. Not later
 252 than February 1, 2001, and annually thereafter the Comptroller shall
 253 submit to the joint standing committee of the General Assembly
 254 having cognizance of matters relating to insurance and real estate a
 255 review of the coverage of community action agency employees under
 256 the state health plan.]

This act shall take effect as follows:	
Section 1	<i>from passage</i>

FIN *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:

Agency Affected	Fund-Type	FY 04 \$	FY 05 \$
Comptroller	GF - Revenue Loss	Potential Indeterminate	Potential Indeterminate

Note: GF=General Fund

Municipal Impact: None

Explanation

Summary

The bill extends eligibility for the Municipal Employees Health Insurance Program (MEHIP) to small employers with 50 or less employees, including the self-employed, and all nonprofits, not just those contracting with the state.

MEHIP Expansion

MEHIP is sponsored by the Office of the State Comptroller (OSC) and managed by a third party administrator. By design, any costs incurred by the program are passed on to the participants and therefore, the state will bear no costs associated with the inclusion of any new participants. As of March 2003, there were 118 different groups participating in MEHIP, covering over 10,000 members.

There are an estimated 91,000 distinct employers with 50 or less employees, who employ approximately 521,000 persons. These figures from the Department of Labor do not include the self-employed. There are approximately 10,500 nonprofits registered under section 501(c)(3) in Connecticut that do not have contracts with the state. Any small employers or nonprofits that take part in MEHIP would incur all administrative and benefit costs associated with participation.

State Revenue Impact

The bill expands the definition of nonprofits, which thereby increases the potential nonprofits that would be exempt from the premium tax under MEHIP. The number of nonprofits that may join MEHIP as a result of the bill is unknown. Based upon the current MEHIP premiums, a revenue loss of \$61,000 per 1,000 employees participating would result from the exemption.

OLR Bill Analysis

sSB 353

AN ACT EXPANDING COVERAGE UNDER THE STATE EMPLOYEE HEALTH PLAN**SUMMARY:**

This bill adds employees of small employers to the list of employees for whom the comptroller, with the attorney general and the insurance commissioner's approval, is authorized to arrange group hospital, medical, and surgical health insurance under the state employee health plan. It also allows her to arrange coverage for all nonprofit corporations, not just those with state contracts.

The bill requires (1) any coverage arranged for small employers to continue to be underwritten according to the small employer rating law, and (2) small employers to comply with the same state employee plan participation requirements that apply to employees of community action agencies, nonprofit corporations, and municipalities.

The bill defines a "small employer" as any person, firm corporation, limited liability company, partnership, or association actively engaged in business for at least three consecutive months and that has, on at least 50% of its working days during the preceding 12 months, employed no more than 50 employees. A small employer includes a self-employed individual.

EFFECTIVE DATE: Upon passage

STATE EMPLOYEE HEALTH INSURANCE PLAN***Participation requirements***

The bill requires small employers to comply with the following requirements:

1. Participation in the plan must be voluntary.
2. Where an employee organization represents employees of a small employer, participation must be mutually agreed upon and neither

party may submit the issue of participation to binding arbitration except by mutual agreement.

3. No group of employees may be denied participation 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 the administrative costs to the plan must not be paid by the state.
5. Participation in an amount determined by the state must be for the plan's duration or such other period as mutually agreed by the small employer and the comptroller.

Plan Options and Reporting

The bill expands the comptroller's authority to arrange a plan that varies from the plan offered to state employees by including small employers and does so without her having to obtain the secretary of the Office of Policy and Management's approval. She already has this authority for municipal employees. The bill also gives her the authority to offer the plans, except small employer plans, on either a fully underwritten or risk pool basis. Small employer plans must be offered on the fully underwritten basis.

Beginning February 1, 2004, the bill adds nonprofit corporations, municipalities, and small employers to the list of plans the comptroller must annually review and file a report on. Under current law, the comptroller must review and file a report with the Insurance and Real Estate Committee on the plans arranged for community action agency employees. The bill requires the comptroller to review all such plans and file a report with the General Assembly instead.

BACKGROUND

Small Employer Law

Small employer plan premiums are based on a community rate, adjusted for age, gender, geographic area, industry, group size, and family composition. Rates cannot be based on the health status or the claims experience of the small employer or its employees and their dependents.

Community Action Agency

The statutes define a “community action agency” as a public or private nonprofit agency which has previously been designated by and authorized to accept funds from the federal Community Service Administration for community action agencies under the Economic Opportunity Act of 1964 or a successor agency established under law.

Legislative History

On April 15, the Senate referred the bill (File 219) to the Finance, Revenue and Bonding Committee. On May 12, the committee favorably reported the substitute bill, which eliminated a provision that exempts small employers who did not provide employee coverage on June 30, 2000 from the 1.75% premium tax on any new or renewal policy effective beginning July 1, 2003 that a small employer offers his employees.

COMMITTEE ACTION

Insurance and Real Estate Committee

Joint Favorable Substitute

Yea 10 Nay 7

Finance, Revenue and Bonding Committee

Joint Favorable Substitute

Yea 25 Nay 18