



House of Representatives

General Assembly

File No. 355

January Session, 2013

Substitute House Bill No. 5441

House of Representatives, April 4, 2013

The Committee on Labor and Public Employees reported through REP. TERCYAK of the 26th Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

AN ACT AUTHORIZING CERTAIN EMERGENCY RESPONSE EMPLOYEES TO ENROLL IN THE MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM AND CREATING A PUBLIC EMPLOYEE HEALTH PLAN.

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

1 Section 1. Subdivision (11) of section 7-425 of the general statutes is
2 repealed and the following is substituted in lieu thereof (*Effective*
3 *October 1, 2013*):

4 (11) "Regional emergency telecommunications center" means [an]
5 any entity authorized by the Department of Emergency Services and
6 Public Protection as [the] a public safety answering point responsible
7 for the receipt and processing of 9-1-1 calls for at least three
8 municipalities.

9 Sec. 2. (NEW) (*Effective July 1, 2014*) As used in this section and in
10 sections 3 to 5, inclusive, of this act:

11 (1) "Municipality" means any town, consolidated town and city,
12 consolidated town and borough, regional school district and board of
13 education;

14 (2) "Eligible employee" means any employee of a municipality,
15 including employees of such municipality's board of education,
16 whether or not in the classified service of the municipality, except
17 "eligible employee" shall not include: (A) Elected officials unless the
18 elected official is covered by the municipality's health benefits
19 program on the effective date of this section, or such benefits are
20 provided by local ordinance, (B) board and commission members, and
21 (C) part-time employees who work fewer than twenty hours per week
22 or on a seasonal basis unless an applicable collective bargaining
23 agreement permits eligibility for fewer hours worked;

24 (3) "Employee organization" means any lawful association, labor
25 organization, federation or council having as a primary purpose the
26 improvement of wages, hours and other conditions of employment
27 among town and board of education employees;

28 (4) "Seasonal basis" means working for a period of not more than
29 one hundred twenty calendar days in any calendar year; and

30 (5) "Public Employee Health Plan" or "plan" means the health
31 benefits plan offered to each municipality by the Comptroller pursuant
32 to section 3 of this act.

33 Sec. 3. (NEW) (*Effective July 1, 2014*) (a) The Comptroller, with the
34 approval of the Attorney General and the Insurance Commissioner,
35 shall arrange and procure a group hospitalization and medical and
36 surgical insurance plan or plans for eligible employees. Such plan or
37 plans shall be known as the Public Employee Health Plan. Each
38 eligible employee shall be enrolled in the Public Employee Health Plan
39 by the employing municipality.

40 (b) No eligible employee or group of eligible employees shall be
41 denied membership in the plan by reason of past or future health care

42 costs or claim experience.

43 (c) No municipality shall reduce the hours an employee is permitted
44 to work in a position or change a full-time position to multiple part-
45 time positions in order to prevent an employee from being eligible for
46 coverage under the plan.

47 (d) Notwithstanding any provision of chapter 700c of the general
48 statutes, the coverage provided under the Public Employee Health
49 Plan shall be offered on a risk-pooled basis. The Comptroller may
50 contract with an administrative services organization to provide
51 administrative services for the plan. The Public Employee Health Plan
52 shall not be considered a multiemployer welfare plan.

53 (e) The Comptroller shall adopt regulations, in accordance with the
54 provisions of chapter 54 of the general statutes, to implement the
55 provisions of this section.

56 (f) The amount due to the Comptroller from each municipality shall
57 be: (1) The product of (A) (i) the total cost of coverage under the plan
58 for all covered employees and such employees' dependents in each of
59 the following categories: (I) Individual employee; (II) employee plus
60 one; and (III) family, (ii) divided by the total number of covered
61 employees and such employees' dependents in each category, and (B)
62 the number of covered employees and such employees' dependents for
63 such municipality, and (2) a proportionate share of the cost of the
64 administration of the plan and the establishment of a reserve fund, as
65 determined by the Comptroller, based on the number of covered
66 employees of such municipality and such employees' dependents.

67 (g) Each municipality shall pay the amount determined by the
68 Comptroller pursuant to subsection (f) of this section, in accordance
69 with regulations adopted by the Comptroller in accordance with the
70 provisions of chapter 54 of the general statutes. For the fiscal year
71 commencing on July 1, 2013, each municipality shall provide the
72 Comptroller with census data specifying the number of persons who
73 are covered by the plan, and the category of such person's coverage, as

74 enumerated in subsection (f) of this section, as of June thirtieth of the
75 preceding fiscal year.

76 Sec. 4. (NEW) (*Effective from passage*) (a) There is established a
77 municipal health care cost containment committee. Such committee
78 shall: (1) Make recommendations to the Comptroller on the selection of
79 a health benefits plan or plans; (2) be responsible for requesting
80 competitive proposals for employee health and dental insurance
81 benefits and for cost containment; (3) request bids for self-insurance;
82 and (4) develop health benefits and coverage plans that shall be
83 reasonably equivalent to the benefits and coverage provided to active
84 municipal employees prior to July 1, 2014.

85 (b) The municipal health care cost containment committee shall
86 consist of the following members: (1) Ten municipal representatives;
87 (2) ten employee organization representatives; and (3) one neutral
88 chairperson appointed by the Comptroller. Such chairperson shall be a
89 member of the National Academy of Neutral Arbitrators or an
90 arbitrator authorized to serve as a neutral arbitrator in labor relations
91 cases by the American Arbitration Association or the Federal
92 Mediation and Conciliation Service, and shall not be covered by the
93 insurance pool. The municipal representatives shall be appointed to
94 said cost containment committee from the municipalities and boards of
95 education, by and through their member organizations. The municipal
96 representatives shall have, collectively, one vote. The employee
97 organization representatives shall be appointed to said containment
98 committee from employee organizations that represent municipal and
99 board of education employees. The employee organization
100 representatives shall have, collectively, one vote. The municipal health
101 care cost containment committee shall be staffed and advised by the
102 Comptroller, or by the Comptroller's designee.

103 (c) All appointments to the committee shall be made not later than
104 July 31, 2013. Any vacancy shall be filled by the appointing authority.

105 Sec. 5. (NEW) (*Effective July 1, 2014*) On and after July 1, 2014,
106 matters relating to the provision of risk-pooled health care or health

107 insurance coverage shall not be subject to collective bargaining under
 108 section 7-468 of the general statutes, except for bargaining relating to
 109 the premium share to be contributed by employees represented by an
 110 employee organization. The provisions of this section and sections 3
 111 and 4 of this act shall not supersede the provisions of any collective
 112 bargaining agreement in effect on July 1, 2014, but, upon the expiration
 113 of any such agreement, the provisions of this section and sections 3
 114 and 4 shall apply to subsequent collectively bargained agreements
 115 between the parties to any such agreement.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>October 1, 2013</i>	7-425(11)
Sec. 2	<i>July 1, 2014</i>	New section
Sec. 3	<i>July 1, 2014</i>	New section
Sec. 4	<i>from passage</i>	New section
Sec. 5	<i>July 1, 2014</i>	New section

Statement of Legislative Commissioners:

In section 2(2), "town" was replaced with "municipality" for accuracy and consistency.

LAB *Joint Favorable Subst. -LCO*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 14 \$	FY 15 \$
Comptroller	GF - Cost	\$28,925	\$119,160
State Comptroller - Fringe Benefits ¹	GF - Cost	\$9,991	\$51,158

Municipal Impact:

Municipalities	Effect	FY 14 \$	FY 15 \$
Various Municipalities	STATE MANDATE - See Below	See Below	See Below

Explanation

Section 1 of the bill makes technical changes which allow regional emergency telecommunication center (RETC) employees to participate in the Municipal Employees' Retirement System (MERS). Participating municipalities will be required to contribute towards MERS for RETC employees enrolled in MERS. The amount of their contribution will be determined by the MERS actuary and based on various factors, including the salary and plan benefits for participating RETC MERS enrollees.²

Sections 2 and 3 require the State Comptroller to establish the Public

¹The fringe benefit costs for most state employees are budgeted centrally in accounts administered by the Comptroller. The estimated active employee fringe benefit cost associated with most personnel changes is 34.54% of payroll in FY 14 and FY 15.

² For employees covered by social security, the employer contribution is 11.79% and 16.65% of payroll for regular and hazardous duty employees respectively. For employees not covered by social security, the employer contribution is 13.00% and 16.01% of payroll for regular and hazardous duty employees respectively. (Source: July 1, 2012 MERS Actuarial Valuation)

Employee Health Plan (PEHP) as of July 1, 2014. PEHP is a self-insured plan, financed through premiums and fees payable by municipalities. The Comptroller will need two retirement and benefit officers and will incur salary and fringe benefit costs of \$38,916 in FY 14 and \$160,317 in FY 15 to provide the necessary support for the plan and the committee (see Section 4).³ It is anticipated necessary start-up costs associated with the plan, including actuarial analysis required to set premiums, will be borne by participating municipalities but it is not specified how the Comptroller will levy those funds before the start of the plan. If the state had to provide preliminary financing for the administration of the plan there will be a fiscal impact to the Comptroller equal to the cost of services rendered.

The bill requires municipalities to enroll all of their employees, excluding some elected officials, board and commission members, and most employees who work less than 20 hours per week or 120 days per calendar year. There may be a cost or savings to municipalities if the premiums and fees established for the PEHP are greater than or less than what they are currently paying. In addition, based on the premium formula outlined in the bill it is unclear who will be financially liable if the premiums and fees are insufficient to cover the annual cost of claims incurred. It is anticipated municipalities will bear the cost of overages, but it is not specified in the bill. The fiscal impact to municipalities would depend on the impact claims experience has on premiums and fees charged to municipalities.

In addition, section 3 requires municipalities to provide the Comptroller with census information on their employees and their health insurance coverage elections in the plan as of June 30, 2013. This provision is not anticipated to result in a cost to municipalities or the Comptroller, as the bill does not establish the plan until July 1, 2014 so it is unlikely municipalities will have the requested information.

The Comptroller currently administers two plans for municipal employers, the Municipal Employer Health Insurance Plan (MEHIP)

³ The FY 14 personnel expenses assume an April 1st hire date.

and the Partnership Plan (established by PA 11-58). The bill requires municipalities to enroll their employees in PEHP. Consequently as of July 1, 2014, the Partnership Plan will not be viable and the MEHIP Plan will only retain its non-municipal employers. It is uncertain what impact this will have on participating municipalities.

Section 4 of the bill establishes the Municipal Health Care Cost Containment Committee and requires the Comptroller's office to staff and advise the committee. This provision is not anticipated to result in a cost to the state, except for the personnel expenses referenced in Sections 2 and 3. PA 11-58 established the Nonstate Public Health Care Advisory Committee (NPHCAC) which has both municipal employer and employee representation. The Comptroller makes appointments to the NPHCAC.

Section 5 of the bill prohibits risk-pooled health care (self-insured health care) or health care coverage from municipal collective bargaining for contracts which expire after July 1, 2014. There may be a fiscal impact to municipalities based on what is currently provided for in their contracts and how this prohibition would modify the health care they provide their union employees. It is unclear what the fiscal impact would be for non-union municipal employees.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation. In addition, employer contributions in Section 1 will be determined based on future MERS actuarial valuations. Lastly, normal annual pension costs (currently estimated at 7.5% of payroll) attributable to the identified personnel changes will be recognized in the state's annual required pension contribution in future actuarial valuations.

OLR Bill Analysis**sHB 5441*****AN ACT AUTHORIZING CERTAIN EMERGENCY RESPONSE EMPLOYEES TO ENROLL IN THE MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM AND CREATING A PUBLIC EMPLOYEE HEALTH PLAN.*****SUMMARY:**

This bill establishes the Public Employee Health Plan (PEHP) to provide health insurance for certain municipal employees, including board of education employees. It requires municipalities (towns, consolidated towns and cities, consolidated towns and boroughs, and regional school districts and boards of education) to enroll their eligible employees in the plan.

Starting July 1, 2014, the bill prohibits risk-pooled health care or health insurance coverage from municipal employees' collective bargaining, except for bargaining related to the premiums contributed by unionized employees. The bill does not supersede any union contracts in effect on July 1, 2014, but applies as they expire.

The bill requires the comptroller, with the attorney general and insurance commissioner's approval, to arrange and procure the plan. It establishes a formula for determining municipal contributions for the plan and requires the comptroller to adopt implementing regulations.

The bill also allows regional emergency telecommunications center employees to participate in the Municipal Employees' Retirement System (MERS) if they work in any public safety answering point (PSAP) authorized by the Department of Emergency Services and Public Protection (DESPP) that processes 9-1-1 calls for at least three municipalities. Current law limits MERS participation to employees in

PSAPs that DESPP designated as the first point of reception for processing 9-1-1 calls for at least three municipalities.

EFFECTIVE DATE: July 1, 2014, except for the provisions (1) creating a municipal health care cost containment committee, which are effective upon passage and (2) allowing employees at regional emergency telecommunications centers to join MERS, which are effective October 1, 2013.

ELIGIBLE EMPLOYEES

The bill requires municipalities to enroll all of their employees, including their board of education's employees, in the PEHP, except:

1. elected officials who are not covered by the municipality's health insurance on July 1, 2014, or do not have health insurance provided by local ordinance;
2. board and commission members; and
3. part-time employees who work fewer than 20 hours per week and seasonal employees who work fewer than 120 days per calendar year, unless the part-time or seasonal employees are eligible under an applicable collective bargaining agreement.

The bill prohibits a municipality from reducing an employee's hours or changing a full-time position to multiple part-time positions to prevent an employee from eligibility.

THE PLAN

The bill requires the comptroller, with the attorney general and insurance commissioner's approval, to arrange and procure the plan, which, regardless of the statutes governing health insurance, must offer coverage on a risk-pooled (e.g. self-insured) basis. It allows the comptroller to contract with an administrative services organization to administer the plan and specifies that it will not be considered a multiemployer welfare plan. The bill prohibits eligible employees from being denied membership in the plan due to their past or future

health care costs or claim experience.

Municipal Contributions

Under the bill, a municipality's contribution is calculated as the product of (1) the average cost for covering a person under individual, employee plus one, and family coverage and (2) the number of the municipality's covered employees and their dependents. This formula does not appear to be workable because the bill does not require the municipality's covered employees to be differentiated by their type of coverage (see COMMENT).

The municipality must also pay the comptroller its pro rata share of the costs for (1) the plan's administration and (2) establishing a reserve fund. The municipalities must pay these contributions in accordance with regulations adopted by the comptroller. It is unclear if the comptroller can begin collecting these contributions before the regulations are enacted (the bill's requirement for the comptroller to adopt implementing regulations is not effective until July 1, 2014).

Municipal Report Requirement

The bill requires each municipality to submit to the comptroller census data listing the number of people covered in the plan's individual, employee plus one, or family categories as of June 30, 2013. However, the municipalities will not have any covered employees on this date because the bill's provisions requiring the comptroller to establish the plan are not effective until July 1, 2014. It is also unclear if census data would otherwise contain the required information.

COLLECTIVE BARGAINING

Starting July 1, 2014, the bill prohibits risk-pooled health care or health insurance coverage from municipal employees' collective bargaining, except for bargaining related to the premiums contributed by unionized employees. The prohibition does not supersede any union contracts in effect on July 1, 2014, but applies as they expire.

It is unclear how the bill's requirement to enroll all eligible employees in the PEHP on July 1, 2014 would affect non-union

employees covered under health insurance contracts in effect on that date.

MUNICIPAL HEALTH CARE COST CONTAINMENT COMMITTEE

The bill establishes a municipal health care cost containment committee to:

1. recommend health benefit plans to the comptroller,
2. request competitive proposals for employee health and dental insurance benefits and cost containment,
3. request self-insurance bids, and
4. develop health benefits and coverage plans that must be reasonably equivalent to the benefits and coverage provided to active municipal employees before July 1, 2014.

Committee Membership

Under the bill, the committee consists of 21 members: 10 municipal representatives, 10 employee organization representatives, and a neutral chairperson appointed by the comptroller. The chairperson must be either (1) a member of the National Academy of Neutral Arbitrators or (2) authorized as a neutral arbitrator in labor relations cases by the American Arbitration Association or Federal Mediation and Conciliation Service. The chairperson cannot be covered by PEHP.

The committee's 10 municipal representatives must be from the municipalities and boards of education and appointed by and through their member organizations. The bill does not define these member organizations. The 10 employee organization representatives must be appointed from employee organizations that represent municipal and board of education employees. Under the bill, employee organizations include any lawful association, labor organization, federation, or council whose primary purpose is improving town or board of education employees' wages, hours, and other working conditions. The bill does not provide any further specifics on the appointment

process. The municipal and employee sides each have one collective vote. The committee is staffed and advised by the comptroller or his designee.

All appointments must be made by July 31, 2013. Any vacancies must be filled by the appointing authority.

COMMENT

Municipal Contribution Calculation

The bill calculates a municipality’s contribution as the product of (1) the average cost for covering a person under individual, employee plus one, and family coverage and (2) the number of the municipality’s covered employees and their dependents. It is unclear how this formula would work, as the bill does not require the number of the municipality’s covered employees and dependents to be differentiated by their type of coverage. Presumably, the bill is trying to establish a per person cost for providing coverage under each category, and the municipality would pay that cost based on the coverage category of each of its covered employees and dependents.

It also appears that the second part of the formula should refer to a municipality’s policies or covered households, rather than individuals, because family coverage is typically priced on a “per policy” basis regardless of the number of family members covered under an individual family policy.

COMMITTEE ACTION

Labor and Public Employees Committee

Joint Favorable

Yea 7 Nay 3 (03/19/2013)