

# House Bill 3293

Sponsored by COMMITTEE ON HEALTH CARE

## SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure **as introduced**.

Creates Local Government Benefit Board. Requires Governor to appoint members of board for four-year terms. Directs board to contract for health benefit plans for officials, officers and employees of local governments. Requires board to adopt rules. Permits payroll officers to deduct amounts for benefit plans from eligible enrollee's wages.

Creates Local Government Benefit Account and Local Government Benefit Board Revolving Fund. Requires amount not to exceed two percent of monthly employer and eligible enrollee contributions for benefit plans to be deposited in Local Government Benefit Account. Appropriates to board moneys from account and fund to cover administrative expenses.

Prohibits local governments, on and after October 1, 2012, from offering health benefit plans other than health benefit plans provided by board. Provides exceptions.

Requires board, before October 1, 2012, to enter into contracts for health benefit plans. Requires board to offer range of health benefit plan designs sufficient to ensure that, when health benefit plans are first provided to local government, local government and eligible enrollees can choose health benefit plans that are comparable in design to, and are not more expensive than, health benefit plans provided by local government immediately before purchase of health benefit plans provided by board.

Declares emergency, effective on passage.

## A BILL FOR AN ACT

1  
2 Relating to benefit plans offered by local governments; appropriating money; and declaring an  
3 emergency.

4 **Be It Enacted by the People of the State of Oregon:**

5 **SECTION 1. As used in sections 1 to 13 of this 2011 Act, unless the context requires**  
6 **otherwise:**

7 (1) "Benefit plan" includes but is not limited to insurance, as defined in ORS 731.102, and  
8 health benefit plans paid for by local governments for the benefit of local government offi-  
9 cials, officers or employees.

10 (2) "Carrier" means an insurer or a health care service contractor holding a valid cer-  
11 tificate of authority issued by the Department of Consumer and Business Services.

12 (3) "Eligible enrollee" means:

13 (a) An official, officer or employee of a local government who elects to participate in one  
14 of the benefit plans described in sections 3 to 7 of this 2011 Act; and

15 (b) An official, officer or employee of a local government, whether or not retired, who  
16 has reached the applicable retirement age and who:

17 (A) Receives a payment or distribution under the Oregon Public Service Retirement Plan;  
18 or

19 (B) Is eligible to receive a payment or distribution under any other retirement benefit  
20 plan offered by the local government.

21 (4) "Family member" means the spouse of an eligible enrollee, the child or stepchild un-  
22 der 26 years of age of an eligible enrollee and any other relatives of an eligible enrollee as

**NOTE:** Matter in **boldfaced** type in an amended section is new; matter *[italic and bracketed]* is existing law to be omitted. New sections are in **boldfaced** type.

1 prescribed by the Local Government Benefit Board.

2 (5) "Health benefit plan" means:

3 (a) Health insurance, as defined in ORS 731.162;

4 (b) Health care services provided by a health care service contractor, as defined in ORS  
5 750.005, that are paid for by local governments for the benefit of local government officials,  
6 officers and employees; or

7 (c) Health care services provided to officials, officers and employees of a local govern-  
8 ment and paid for by the local government directly or through a third party administrator.

9 (6) "Local government" has the meaning given that term in ORS 174.116.

10 (7) "Local service district" has the meaning given that term in ORS 174.116.

11 (8) "Payroll disbursing officer" means the officer or official authorized to disburse sala-  
12 ries and wages of officials, officers and employees of a local government.

13 (9) "Premium" means the monthly or other periodic charge, including administrative fees  
14 of the Local Government Benefit Board, for a benefit plan.

15 **SECTION 2.** (1) There is established in the Oregon Health Authority the Local Govern-  
16 ment Benefit Board consisting of 11 members appointed by the Governor, including:

17 (a) One member representing a rural city government;

18 (b) One member representing an urban city government;

19 (c) One member representing a rural county government;

20 (d) One member representing an urban county government;

21 (e) One member representing a rural local service district;

22 (f) One member representing an urban local service district;

23 (g) One member representing nonmanagement city employees;

24 (h) One member representing nonmanagement county employees;

25 (i) One member representing nonmanagement employees of local service districts;

26 (j) One member from a labor organization that represents local government employees;

27 and

28 (k) One member with expertise in health policy or risk management.

29 (2) The term of office of each member is four years, but a member serves at the pleasure  
30 of the Governor. Before the expiration of the term of a member, the Governor shall appoint  
31 a successor to take office upon the date of that expiration. A member is eligible for reap-  
32 pointment. If there is a vacancy for any cause, the Governor shall make an appointment to  
33 become immediately effective for the unexpired term.

34 (3) A member of the board is not entitled to compensation, but may be reimbursed from  
35 funds available to the board for actual and necessary travel and other expenses incurred by  
36 the member in the performance of the member's official duties in the manner and amount  
37 provided in ORS 292.495.

38 (4) The board shall select one of its members as chairperson and another as vice chair-  
39 person, for such terms and with duties and powers necessary for the performance of the  
40 functions of such offices as the board determines.

41 (5) A majority of the members of the board constitutes a quorum for the transaction of  
42 business.

43 (6) The board shall meet at times and places specified by the call of the chairperson or  
44 of a majority of the members of the board.

45 (7) The board may retain consultants, brokers or other advisory personnel when neces-

1 sary and, subject to any applicable provisions of ORS chapter 240, may employ staff required  
2 to carry out the duties of the board.

3 (8) The board shall adopt rules to carry out the provisions of sections 1 to 13 of this 2011  
4 Act.

5 **SECTION 3.** (1) The Local Government Benefit Board shall contract for benefit plans best  
6 designed to meet the needs and provide for the welfare of eligible enrollees and local gov-  
7 ernments.

8 (2) The board may approve more than one carrier for each type of benefit plan offered,  
9 but the board shall limit the number of carriers to a number consistent with adequate ser-  
10 vice to eligible enrollees.

11 (3) The board shall provide options under which an eligible enrollee may arrange coverage  
12 for family members under a benefit plan. The eligible enrollee may be required to pay an  
13 additional premium for this coverage if the coverage of the family member is not provided  
14 by the local government.

15 (4) A local government shall provide that payroll deductions for benefit plan costs that  
16 are not payable by the local government may be made upon receipt of a signed authorization  
17 from an eligible enrollee indicating an election to enroll in the benefit plan or plans selected  
18 and allowing the withholding of those costs from the eligible enrollee's pay.

19 (5) The board shall adopt rules providing that transfer of enrollment from one benefit  
20 plan to another is open to all eligible enrollees and family members.

21 **SECTION 4.** (1) The Local Government Benefit Board shall design benefit packages, pre-  
22 pare specifications, analyze carrier bids and award contracts for health benefit plans for local  
23 governments in accordance with this section and section 3 (1) of this 2011 Act.

24 (2) The board shall make available to eligible enrollees comprehensive health benefit  
25 plans, health benefit plans providing dental only and vision only coverage, and fully insured  
26 long term care benefit plans described in section 6 of this 2011 Act. Contracts shall be signed  
27 by the chairperson on behalf of the board.

28 (3) In considering whether to enter into a contract for a health benefit plan, the board  
29 shall place emphasis on:

- 30 (a) Enrollee choice among high-quality plans;
- 31 (b) Encouragement of a competitive marketplace;
- 32 (c) Plan performance and information;
- 33 (d) Local government flexibility in plan design and contracting;
- 34 (e) Quality customer service;
- 35 (f) Creativity and innovation;
- 36 (g) Plan benefits as part of total employee compensation; and
- 37 (h) Improvement of enrollee health.

38 (4) The board may not deny consideration of a carrier's bid under subsection (1) of this  
39 section on the basis that the carrier serves a limited geographic region in this state if the  
40 benefit plan meets the criteria of subsection (3) of this section.

41 (5) The premium established by the board for a health benefit plan may not include the  
42 cost of enrollment of the eligible enrollee and administrative expenses for the benefit plan.

43 (6) The board may adopt rules not inconsistent with sections 1 to 13 of this 2011 Act to  
44 determine the terms and conditions of participation by eligible enrollees and their family  
45 members in health benefit plans and the coverage provided under those benefit plans.

1       **SECTION 5.** (1) In addition to contracting for health benefit plans, the Local Government  
 2       Benefit Board may contract with carriers to provide other benefit plans, including but not  
 3       limited to life, supplemental medical, supplemental dental, supplemental vision, accidental  
 4       death or disability insurance.

5       (2) The premium established by the board for a benefit plan described in subsection (1)  
 6       of this section may include the cost of enrollment of the eligible enrollee and administrative  
 7       expenses for the plan.

8       (3) If the board does not contract for a benefit plan described in subsection (1) of this  
 9       section, a local government may contract for the benefit plan on behalf of the officials, offi-  
 10       cers and employees of the local government. A benefit plan entered into by a local govern-  
 11       ment is subject to approval by the board before the plan becomes operative.

12       **SECTION 6.** (1) The Local Government Benefit Board shall make available to eligible  
 13       enrollees and family members one or more fully insured long term care benefit plans. For  
 14       purposes of this subsection, the board shall prescribe that “family member” includes the  
 15       parents of the eligible enrollee and the parents of the spouse of the eligible enrollee.

16       (2) The board, in consultation with the Public Employees Retirement System, shall de-  
 17       velop long term care benefit plan specifications, eligibility rules, underwriting guidelines and  
 18       consumer educational materials.

19       (3) The board’s educational materials for eligible enrollees shall provide information on  
 20       the potential need for long term care, methods of financing long term care and the avail-  
 21       ability of long term care benefit plans offered by the board.

22       (4) Participation in any long term care benefit plan made available by the board is vol-  
 23       untary and is subject to reasonable underwriting guidelines and eligibility rules established  
 24       by the board.

25       (5) Unless otherwise agreed to by the local government, the eligible enrollee is responsi-  
 26       ble for the payment of the long term care benefit plan premium established by the board.

27       **SECTION 7.** (1) The Local Government Benefit Board may provide and administer flexible  
 28       benefit plans under which eligible enrollees may choose among taxable and nontaxable bene-  
 29       fits as provided in the federal Internal Revenue Code.

30       (2) In providing flexible benefit plans, the board may offer:

31       (a) Health benefit plans as described in section 4 of this 2011 Act.

32       (b) Other benefit plans as described in section 5 of this 2011 Act.

33       (c) Any other benefit that may be excluded from an eligible enrollee’s gross income under  
 34       the federal Internal Revenue Code.

35       (d) Any part or all of the local government contribution for benefit plans in cash to the  
 36       eligible enrollee.

37       (3) In developing flexible benefit plans, the board shall design the plans to best promote  
 38       the welfare of eligible enrollees and affordability for local governments.

39       (4) The board may pay some or all of the cost of administering flexible benefit plans with  
 40       funds from which the board is authorized to pay general administrative expenses incurred  
 41       by the board.

42       (5) The board shall adopt rules necessary for the establishment and administration of  
 43       flexible benefit plans.

44       (6) The board may contract with private organizations for administration of flexible  
 45       benefit plans in accordance with rules adopted under subsection (5) of this section.

1       **SECTION 8.** (1) Upon receipt of a written withholding authorization from an eligible  
 2 enrollee, a payroll disbursing officer may deduct from the salary or wages of the eligible  
 3 enrollee the amount of money indicated in the request, for payment of the eligible enrollee's  
 4 share of the cost of benefit plans selected by the eligible enrollee.

5       (2) Amounts deducted under subsection (1) of this section shall be paid over promptly:

6       (a) To the Local Government Benefit Board, the carriers or the persons responsible for  
 7 payment of premiums to carriers in accordance with the terms of contracts for benefit plans;  
 8 or

9       (b) With respect to self-insured local governments, in accordance with rules and proce-  
 10 dures adopted by the board.

11       (3) The payroll disbursing officer shall report to the board information specified by the  
 12 board in a manner and form specified by the board. The board may not impose reporting  
 13 requirements under this subsection that are unduly burdensome or costly to local govern-  
 14 ments.

15       **SECTION 9.** (1) The Local Government Benefit Board may enter an order withdrawing  
 16 approval of a benefit plan after providing sufficient notice in writing to the carrier, any af-  
 17 fected labor organization, local governments and eligible enrollees of the plan, and affording  
 18 opportunity for a public hearing on the issues that may be involved. Thirty days after entry  
 19 of the order, the board shall terminate all withholding authorizations of eligible enrollees and  
 20 terminate all board-approved participation in the plan.

21       (2) The board may terminate the participation of a local government in a benefit plan if  
 22 the local government fails to perform, within three months after the action is due, an action  
 23 required by sections 1 to 13 of this 2011 Act or by board rule.

24       **SECTION 10.** (1) There is created the Local Government Benefit Account, separate and  
 25 distinct from the General Fund. Moneys in the account are continuously appropriated to the  
 26 Local Government Benefit Board to cover the board's administrative and other expenses  
 27 authorized by sections 1 to 13 of this 2011 Act.

28       (2) Subject to section 11 of this 2011 Act, an amount not to exceed two percent of the  
 29 monthly employer and eligible enrollee contributions for benefit plans available under  
 30 sections 1 to 13 of this 2011 Act shall be deposited in the account.

31       **SECTION 11.** Subject to legislative budgetary authorization for operation of the Local  
 32 Government Benefit Board and the board's administration of benefit plans and other duties  
 33 under sections 1 to 13 of this 2011 Act, an amount not to exceed two percent of the monthly  
 34 employer and eligible enrollee contributions for benefit plans shall be forwarded by each  
 35 participating local government to the board and deposited by the board in the State Treasury  
 36 to the credit of the Local Government Benefit Account to meet the board's administrative  
 37 and other expenses authorized by sections 1 to 13 of this 2011 Act. The board shall ensure  
 38 that the balance in the account does not exceed five percent of the monthly total of employer  
 39 and eligible enrollee contributions for more than four consecutive months.

40       **SECTION 12.** (1) There is created the Local Government Benefit Board Revolving Fund,  
 41 separate and distinct from the General Fund. Moneys in the Local Government Benefit  
 42 Board Revolving Fund are continuously appropriated to the Local Government Benefit Board  
 43 to cover the board's administrative and other expenses authorized by sections 1 to 13 of this  
 44 2011 Act. Moneys in the fund may be retained for limited periods of time as established by  
 45 board rule for purposes including paying premiums, controlling expenditures, stabilizing

1 premiums and self-insuring. The board may establish subaccounts within the fund.

2 (2) The following moneys shall be paid into the Local Government Benefit Board Revolv-  
3 ing Fund:

4 (a) All unused employer and eligible enrollee contributions for benefit plans;

5 (b) All refunds and dividends from a carrier that has provided benefit plans administered  
6 by the board; and

7 (c) All interest earned on the moneys in the fund.

8 **SECTION 13.** (1) Except as provided in subsection (2) of this section:

9 (a) A local government may not provide or contract for a health benefit plan unless the  
10 plan is provided and administered by the Local Government Benefit Board under sections 1  
11 to 13 of this 2011 Act.

12 (b) Eligible enrollees of a local government may participate in benefit plans provided and  
13 administered by the board.

14 (2) A local government is not required to offer health benefit plans made available by the  
15 board if the local government:

16 (a)(A) Is self-insured;

17 (B) Has an independent health insurance trust established and functioning; or

18 (C) Has a contract with a carrier to provide health benefit plans to officials, officers and  
19 employees of the local government; and

20 (b)(A) Premiums for health benefit plans offered by the local government are equal to  
21 or less than premiums for health benefit plans made available by the board; and

22 (B) Health benefit plans offered by the local government contain substantially the same  
23 benefit packages as health benefit plans made available by the board.

24 (3) Once a local government offers to its officials, officers or employees one or more  
25 health benefit plans made available by the board, the local government may not thereafter  
26 offer health benefit plans other than those made available by the board.

27 (4) A local government is obligated to bargain with its organized employees or with the  
28 exclusive representative of its organized employees concerning the local government's costs  
29 of benefit plans.

30 **SECTION 14.** As used in sections 15 and 16 of this 2011 Act, "benefit plan," "carrier,"  
31 "eligible enrollee," "local government" and "premium" have the meanings given those terms  
32 in section 1 of this 2011 Act.

33 **SECTION 15.** Notwithstanding section 13 of this 2011 Act, a local government is not re-  
34 quired to offer to its officials, officers or employees health benefit plans made available by  
35 the Local Government Benefit Board:

36 (1) Before October 1, 2012; or

37 (2) With respect to represented and unrepresented employees of the local government,  
38 during the term of a collective bargaining agreement that expires after June 30, 2012, pro-  
39 vided the contract with the carrier of the health benefit plan offered under the agreement  
40 continues in effect and does not expire on or before June 30, 2012.

41 **SECTION 16.** (1) Before October 1, 2012, the Local Government Benefit Board shall enter  
42 into contracts for health benefit plans for eligible enrollees in accordance with section 4 of  
43 this 2011 Act.

44 (2) The board shall offer a range of health benefit plan designs sufficient to ensure that,  
45 when health benefit plans are first provided by the board to a local government, the local

1 government and eligible enrollees can choose health benefit plans that offer coverage sub-  
2 stantially similar to and that are not more costly than the health benefit plans the local  
3 government provided immediately before the purchase of the health benefit plans made  
4 available by the board. The board shall determine premiums for health benefit plans based  
5 on the health benefit plan designs and the aggregated experience of all local governments  
6 participating in the health benefit plans.

7 **SECTION 17.** Notwithstanding the term of office specified in section 2 of this 2011 Act,  
8 of the members first appointed to the Local Government Benefit Board:

9 (1) Two shall serve for terms ending July 1, 2012.

10 (2) Two shall serve for terms ending July 1, 2013.

11 (3) Three shall serve for terms ending July 1, 2014.

12 (4) Four shall serve for terms ending four years after the effective date of this 2011 Act.

13 **SECTION 18.** This 2011 Act being necessary for the immediate preservation of the public  
14 peace, health and safety, an emergency is declared to exist, and this 2011 Act takes effect  
15 on its passage.  
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