

AMENDED IN ASSEMBLY APRIL 11, 2013

AMENDED IN ASSEMBLY MARCH 21, 2013

CALIFORNIA LEGISLATURE—2013–14 REGULAR SESSION

ASSEMBLY BILL

No. 1346

Introduced by Assembly Member Pan

February 22, 2013

An act to ~~amend Section 22877 of~~ *add Section 22896 to the Government Code, relating to the Rural Health Care Equity Program postemployment health benefits.*

LEGISLATIVE COUNSEL'S DIGEST

AB 1346, as amended, Pan. ~~Rural Health Care Equity Program. Postemployment health benefits: Sacramento Metropolitan Fire Department: employer contributions.~~

Existing law requires the Board of Administration of the Public Employees' Retirement System to administer the Public Employees' Medical and Hospital Care Act. Existing law permits a contracting agency to elect to be subject to the act for its employees and annuitants, provided that the contracting agency and each employee or annuitant contribute a portion of the cost of providing the benefit coverage, as specified. Under this formulation, the employer contribution for the contracting agency begins at 10 years of service and reaches 100% of a specified amount when the employee attains 20 years of credited service, with certain exceptions. Existing law provides alternate formulations for specified contracting agencies.

This bill would provide an additional exception by requiring the employer contribution for postretirement health benefit coverage for an annuitant of the Sacramento Metropolitan Fire Department who

retires on or after the effective date of a memorandum related to employer contributions, to be based on a revised formula in which the employer contribution begins at 5 years of service, instead of 10 and would reach 100% of a specified amount if the annuitant attained 20 years of credited service, with certain exceptions. The bill would require that the Sacramento Metropolitan Fire Department provide to the board a notification of the agreement and any additional information requested by the board that the board deems necessary to implement the section. The bill would except from the formulation described annuitants who have retired for disability or who have retired for service with 20 or more years of service with the Sacramento Metropolitan Fire Department, as specified.

~~Existing law, until July 3, 2010, or earlier upon a specified finding, established the Rural Health Care Equity Program for the purpose of funding the subsidization and reimbursement of premium costs, deductibles, coinsurance, and other out-of-pocket health care expenses paid by employees of State Bargaining Unit 5 living in rural areas, as defined. Existing law provided for funding and reimbursement provisions for purposes of the program. Existing law provided that the program would be operative only to the extent that funding was provided in the annual Budget Act or another statute and solely for the benefit of employees of State Bargaining Unit 5.~~

~~The bill would reestablish the Rural Health Care Equity Program until January 1, 2015, or to an earlier date upon a specified finding, and would extend the benefits to all employees and annuitants living in rural areas. This bill would provide that the program would be operative only to the extent that funding is provided in the annual Budget Act.~~

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 **SECTION 1.** *Section 22896 is added to the Government Code,*
- 2 *to read:*
- 3 22896. (a) *Notwithstanding Section 22893, the percentage of*
- 4 *employer contribution payable for postretirement health benefits*
- 5 *for an employee of the Sacramento Metropolitan Fire Department*
- 6 *subject to this section shall, except as provided in subdivision (b),*
- 7 *be based on the member’s completed years of credited state service*
- 8 *at retirement as shown in the following table:*

<i>Credited Years of Service</i>	<i>Percentage of Employer Contribution</i>
5	25
6	30
7	35
8	40
9	45
10	50
11	55
12	60
13	65
14	70
15	75
16	80
17	85
18	90
19	95
20 or more	100

19
20 *The application of this subdivision shall be subject to the*
21 *following:*

22 *(1) The employer contribution with respect to each annuitant*
23 *shall be determined pursuant to a memorandum of understanding*
24 *approved through a meet and confer process pursuant to the*
25 *Meyers-Milias-Brown Act (Chapter 10 (commencing with Section*
26 *3500) of Division 4 of Title 1) with any recognized employee*
27 *organization. The issue shall not be subject to the impasse*
28 *procedures set forth in Article 9 (commencing with Section 3548)*
29 *of Chapter 10.7 of Division 4 of Title 1.*

30 *(2) The credited service of an annuitant for the purpose of*
31 *determining the percentage of employer contributions applicable*
32 *under this section shall mean state service as defined in Section*
33 *20069, except that at least five years of service shall have been*
34 *performed entirely with the Sacramento Metropolitan Fire*
35 *Department.*

36 *(3) The Sacramento Metropolitan Fire Department shall*
37 *provide, in the manner prescribed by the board, a notification of*
38 *the agreement adopted pursuant to this section and any additional*
39 *information necessary to implement this section.*

1 (4) *The Sacramento Metropolitan Fire Department shall certify*
 2 *to the board, in the case of employees not represented by a*
 3 *bargaining unit, that there is not an applicable memorandum of*
 4 *understanding.*

5 (5) *This section shall apply only to employees who retire for*
 6 *service and whose retirement date is on or after the effective date*
 7 *of the memorandum of understanding entered into as described*
 8 *in this subdivision. This section is not applicable to any employee*
 9 *who retired before the effective date of the memorandum of*
 10 *understanding.*

11 (b) *Notwithstanding subdivision (a), the contribution payable*
 12 *by the Sacramento Metropolitan Fire Department shall be equal*
 13 *to 100 percent of the amount established pursuant to paragraph*
 14 *(1) of subdivision (a) on behalf of any annuitant who either:*

15 (1) *Retired for disability.*

16 (2) *Retired for service with 20 or more years of service credit*
 17 *entirely with the Sacramento Metropolitan Fire Department,*
 18 *regardless of the number of days after separation from employment.*
 19 *The contribution payable by the Sacramento Metropolitan Fire*
 20 *Department under this paragraph shall be paid only if it is greater*
 21 *than, and made in lieu of, a contribution payable to the annuitant*
 22 *by another employer under this part. The board shall establish*
 23 *application procedures and eligibility criteria to implement this*
 24 *paragraph.*

25 (c) *This section applies only to the Sacramento Metropolitan*
 26 *Fire Department, or its successor.*

27 ~~SECTION 1. Section 22877 of the Government Code is~~
 28 ~~amended to read:~~

29 ~~22877. (a) As used in this section, the following definitions~~
 30 ~~shall apply:~~

31 (1) ~~“Coinsurance” means the provision of a health benefit plan~~
 32 ~~design that requires the health benefit plan and state employee or~~
 33 ~~annuitant to share the cost of hospital or medical expenses at a~~
 34 ~~specified ratio.~~

35 (2) ~~“Deductible” means the annual amount of out-of-pocket~~
 36 ~~medical expenses that a state employee or annuitant must pay~~
 37 ~~before the health benefit plan begins paying for expenses.~~

38 (3) ~~“Program” means the Rural Health Care Equity Program.~~

39 (4) ~~“Rural area” means an area in which there is no~~
 40 ~~board-approved health maintenance organization plan available~~

1 for enrollment by state employees or annuitants residing in the
2 area.

3 ~~(b) (1) The Rural Health Care Equity Program is hereby~~
4 ~~established for the purpose of funding the subsidization and~~
5 ~~reimbursement of premium costs, deductibles, coinsurance, and~~
6 ~~other out-of-pocket health care expenses paid by eligible employees~~
7 ~~or annuitants living in rural areas that would otherwise be covered~~
8 ~~if the state employee or annuitant was enrolled in a board-approved~~
9 ~~health maintenance organization plan. The program shall be~~
10 ~~administered by the Department of Human Resources or by a~~
11 ~~third-party administrator approved by the Department of Human~~
12 ~~Resources in a manner consistent with all applicable state and~~
13 ~~federal laws. The board shall determine the rural area for each~~
14 ~~subsequent fiscal year, at the same time that premiums for health~~
15 ~~maintenance organization plans are approved.~~

16 ~~(2) Separate accounts shall be maintained within the program~~
17 ~~for all of the following:~~

18 ~~(A) Employees, as defined in subdivision (c) of Section 3513.~~

19 ~~(B) Excluded employees, as defined in subdivision (b) of Section~~
20 ~~3527.~~

21 ~~(C) State annuitants.~~

22 ~~(e) Moneys in the program shall be allocated to the respective~~
23 ~~accounts as follows:~~

24 ~~(1) The contribution provided by the state with respect to each~~
25 ~~employee, as defined in subdivision (c) of Section 3513, who lives~~
26 ~~in a rural area and is otherwise eligible, shall be an amount~~
27 ~~determined through the collective bargaining process.~~

28 ~~(2) The contribution provided by the state with respect to each~~
29 ~~excluded employee, as defined in subdivision (b) of Section 3527,~~
30 ~~who lives in a rural area and is otherwise eligible, shall be an~~
31 ~~amount equal to, but not to exceed, the amount contributed pursuant~~
32 ~~to paragraph (1).~~

33 ~~(3) The contribution provided by the state with respect to each~~
34 ~~state annuitant who lives in a rural area, is not a Medicare~~
35 ~~participant, resides in California, and is otherwise eligible, shall~~
36 ~~be an amount not to exceed five hundred dollars (\$500).~~

37 ~~(4) The contribution provided by the state with respect to each~~
38 ~~annuitant who lives in a rural area, resides in California,~~
39 ~~participates in a supplemental Medicare health benefit plan, and~~
40 ~~is otherwise eligible, shall be an amount equal to the Medicare~~

1 ~~Part B premiums incurred by the annuitant, not to exceed~~
2 ~~seventy-five dollars (\$75) per month. The program may not~~
3 ~~reimburse for penalty amounts.~~

4 ~~(5) If an eligible employee enters or leaves service with the state~~
5 ~~during a fiscal year, contributions for the employee shall be made~~
6 ~~on a pro rata basis. A similar computation shall be used for anyone~~
7 ~~entering or leaving the bargaining unit, including a person who~~
8 ~~enters State Bargaining Unit 5 by promotion during a fiscal year.~~

9 ~~(d) Each fund of the State Treasury, other than the General~~
10 ~~Fund, shall reimburse the General Fund for any sums allocated~~
11 ~~pursuant to subdivision (c) for employees whose compensation is~~
12 ~~paid from that fund. That reimbursement shall be accomplished~~
13 ~~using the following methodology:~~

14 ~~(1) On or before December 1 of each year, the Department of~~
15 ~~Human Resources shall provide a list of active state employees~~
16 ~~who participated in the program during the previous fiscal year to~~
17 ~~each employing department.~~

18 ~~(2) On or before January 15 of each year, each department that~~
19 ~~employed an active state employee identified by the Department~~
20 ~~of Human Resources as a participant in the program shall provide~~
21 ~~the Department of Human Resources with a list of the funds used~~
22 ~~to pay each employee's salary, along with the proportion of each~~
23 ~~employee's salary attributable to each fund.~~

24 ~~(3) Using the information provided by the employing~~
25 ~~departments, the Department of Human Resources shall compile~~
26 ~~a list of program payments attributable to each fund. On or before~~
27 ~~February 15 of each year, the Department of Human Resources~~
28 ~~shall transmit this list to the Department of Finance.~~

29 ~~(4) The Department of Finance shall certify to the Controller~~
30 ~~the amount to be transferred from the unencumbered balance of~~
31 ~~each fund to the General Fund.~~

32 ~~(5) The Controller shall transfer to the General Fund from the~~
33 ~~unencumbered balance of each impacted fund the amount specified~~
34 ~~by the Department of Finance.~~

35 ~~(6) To ensure the equitable allocation of costs, the Director of~~
36 ~~the Department of Human Resources or the Director of Finance~~
37 ~~may require an audit of departmental reports.~~

38 ~~(e) For any sums allocated pursuant to subdivision (c) for~~
39 ~~annuitants, funds, other than the General Fund, shall be charged~~
40 ~~a fair share of the contribution provided by the state in accordance~~

1 with the provisions of Article 2 (commencing with Section 11270)
2 of Chapter 3 of Part 1 of Division 3. On or before July 31 of each
3 year, the Department of Human Resources shall provide the
4 Department of Finance with the total costs allocated for annuitants
5 in the previous fiscal year. The reported costs may not include
6 expenses that have been incurred but not claimed as of July 31.

7 (f) Notwithstanding any other law and subject to the availability
8 of funds, moneys within the program shall be disbursed for the
9 benefit of eligible annuitants. The disbursements shall either
10 reimburse the annuitant, if not a Medicare participant, for some
11 or all of the deductible incurred by the annuitant or a family
12 member, not to exceed five hundred dollars (\$500) per fiscal year,
13 or reimburse the annuitant, if a Medicare participant, for Medicare
14 Part B premiums incurred by the annuitant, not to exceed
15 seventy-five dollars (\$75) per month. The program may not
16 reimburse for penalty amounts. These reimbursements shall be
17 provided by the Department of Human Resources. Notwithstanding
18 any other law, any annuitant who cannot be located within a period
19 of three months and whose disbursement is returned to the
20 Controller as unclaimed is ineligible to participate in the program.

21 (g) Notwithstanding any other law and subject to the availability
22 of funds, moneys within the program shall be disbursed for the
23 benefit of eligible employees. The disbursements shall subsidize
24 the preferred provider plan premiums for the employee by an
25 amount equal to the difference between the weighted average of
26 board-approved health maintenance organization premiums and
27 the lowest board-approved preferred provider plan premium
28 available under this part, and reimburse the employee for a portion
29 or all of his or her incurred deductible, coinsurance, and other
30 out-of-pocket health-related expenses that would otherwise be
31 covered if the employee and his or her family members were
32 enrolled in a board-approved health maintenance organization
33 plan. These subsidies and reimbursements shall be provided as
34 determined by the Department of Human Resources, which may
35 include, but is not limited to, a supplemental insurance plan, a
36 medical reimbursement account, or a medical spending account
37 plan.

38 (h) Subject to subdivision (j), moneys remaining in an account
39 of the program at the end of any fiscal year shall remain in the
40 account for use in subsequent fiscal years, until the account is

1 terminated. Moneys remaining in a program account upon
2 termination, after payment of all expenses and claims incurred
3 prior to the date of termination, shall be deposited in the General
4 Fund.

5 (i) The Legislature finds and declares that the program shall be
6 operated for the exclusive benefit of employees, annuitants, and
7 family members.

8 (j) This section shall be operative only to the extent that funding
9 is provided in the annual Budget Act or another statute.

10 (k) This section shall cease to be operative on January 1, 2015,
11 or on an earlier date if the board makes a formal determination
12 that health maintenance organization plans are no longer the most
13 cost-effective health benefit plans offered by the board.