

AMENDED IN ASSEMBLY SEPTEMBER 10, 1999

AMENDED IN SENATE JUNE 2, 1999

AMENDED IN SENATE APRIL 12, 1999

SENATE BILL

No. 514

Introduced by Senator Chesbro

February 18, 1999

An act to repeal and add Section 22825.01 to the Government Code, relating to health care coverage, ~~making an appropriation therefor, and declaring the urgency thereof, to take effect immediately.~~

LEGISLATIVE COUNSEL'S DIGEST

SB 514, as amended, Chesbro. Health care coverage: rural areas: PERS.

The existing Public Employees' Medical and Hospital Care Act provides, for each state employee or annuitant living where there is not available a competitive health maintenance organization and a fee-for-service health plan is the only option, state employer contributions on the basis of the PERS Care premiums.

This bill would delete that provision and establish the Rural Health Care Equity Trust Fund to *be administered by the Department of Personnel administration* to provide subsidies and reimbursements, as specified, for certain health care premiums and health care costs incurred by state employees and annuitants in rural areas *on or after January 1, 2000*, as defined; ~~and would appropriate an unspecified amount from the General Fund to the Rural Health Care Equity Trust Fund~~

~~to be used for those purposes. The bill would declare that it is to take effect immediately as an urgency statute and would make a related statement of legislative intent. The provisions of the bill would cease to be operative on January 1, 2005, or earlier, as specified.~~

Vote: $\frac{2}{3}$ —majority. Appropriation: ~~yes~~—no. Fiscal committee: yes. State-mandated local program: no.

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

1 SECTION 1. ~~It~~ *Notwithstanding Section 22825.1 of*
 2 *the Government Code, it is the intent of the Legislature*
 3 *to provide a subsidy to assist state employees and*
 4 *annuitants living in defined rural areas who do not have*
 5 *genuine access to a competitive health maintenance*
 6 *organization and who, instead, must choose a*
 7 *higher-than-average cost health maintenance*
 8 *organization or one or more preferred provider plans and*
 9 *incur substantially higher out-of-pocket expenses for*
 10 *health care.*

11 SEC. 2. Section 22825.01 of the Government Code is
 12 repealed.

13 SEC. 3. Section 22825.01 is added to the Government
 14 Code, to read:

15 22825.01. (a) As used in this section,~~a~~ *the following*
 16 *definitions shall apply:*

17 (1) A “rural area” means~~a county~~ *an area in which*
 18 *there is no board-approved health maintenance*
 19 *organization plan available for enrollment by state*
 20 *employees or annuitants who live in the~~county~~ area.*

21 (2) “Coinsurance” means *the provision of a medical*
 22 *plan design in which the plan or insurer and state*
 23 *employee or annuitant share the cost of hospital or*
 24 *medical expenses at a specified ratio.*

25 (3) A “deductible” means *the annual amount of*
 26 *out-of-pocket medical expenses that state employees or*
 27 *annuitants must pay before the insurer or self-funded*
 28 *plan begins paying for expenses.*

29 (4) “Department” means *the Department of*
 30 *Personnel Administration.*

1 (5) “Fund” means the Rural Healthcare Equity Trust
2 Fund.

3 (b) (1) The Rural Health Care Equity Trust Fund is
4 hereby established in the State Treasury for the purpose
5 of ~~funding increased health care benefits to subsidize and~~
6 ~~provide reimbursements for premium costs, deductibles,~~
7 ~~copayments of funding the subsidization and~~
8 ~~reimbursement of premium costs, deductibles,~~
9 ~~coinsurance,~~ and other out-of-pocket health care costs
10 ~~incurred,~~ which would otherwise be covered if the state
11 employee or annuitant was enrolled in a board-approved
12 health maintenance organization plan, paid by
13 employees and annuitants living in rural areas, as
14 authorized by this section. The fund shall be administered
15 by the ~~board~~ department or by a third-party
16 administrator approved by the ~~board~~ department in a
17 manner consistent with all applicable state and federal
18 laws. *Interest earned from the fund shall be used to offset*
19 *administrative costs. The board shall determine the rural*
20 *area for each subsequent fiscal year at the same meeting*
21 *when the board approves premiums for health*
22 *maintenance organizations.*

23 (2) Separate accounts shall be maintained within the
24 fund for (A) employees, as defined in subdivision (c) of
25 Section 3513; (B) excluded employees, as defined in
26 subdivision (b) of Section 3527; and (C) annuitants as
27 defined in subdivision (e) of Section 22754.

28 (c) Moneys in the Rural Health Care Equity Trust
29 Fund shall be allocated to the separate accounts as
30 follows:

31 (1) As the employer’s contribution with respect to
32 each employee, as defined in subdivision (c) of Section
33 3513, who lives in a rural area and who is otherwise
34 eligible, ~~and an amount to be determined through the~~
35 collective bargaining process.

36 (2) As the employer’s contribution with respect to
37 each excluded employee, as defined in subdivision (b) of
38 Section 3527, who lives in a rural area and who is
39 ~~otherwise eligible, the amount of two thousand five~~
40 ~~hundred dollars (\$2,500) per year. otherwise eligible, an~~



1 amount equal to, but not to exceed, the amount given to
2 eligible state employees, as defined in subdivision (c) of
3 Section 3513, who live in a rural area.

4 (3) As the employer's contribution with respect to
5 each annuitant, as defined in subdivision (e) of Section
6 22754, who lives in a rural area, *is not a Medicare*
7 *participant*, and who is otherwise ~~eligible, the amount of~~
8 ~~one thousand two hundred fifty dollars (\$1,250) per year.~~
9 *eligible, an amount not to exceed five hundred dollars*
10 *(\$500) per year.*

11 (4) *As to the state's contribution with respect to each*
12 *state annuitant, as defined in subdivision (e) of Section*
13 *22754 who lives in a rural area, participates in a*
14 *board-approved, Medicare-coordinated health plan,*
15 *participates in a board-approved health plan, and is*
16 *otherwise eligible, an amount equal to the Medicare Part*
17 *B premiums incurred by the annuitant, not to exceed*
18 *seventy-five dollars (\$75) per month. The state shall not*
19 *reimburse for penalty amounts.*

20 (5) *As to an employee who enters state service or*
21 *leaves state service during a fiscal year, contributions for*
22 *the employee shall be made on a pro rata basis. A similar*
23 *computation shall be used for anyone entering or leaving*
24 *the bargaining unit, including a person who enters the*
25 *bargaining unit by promotion in mid-fiscal year.*

26 (d) Each fund of the State Treasury, other than the
27 General Fund, shall reimburse the General Fund for any
28 sums allocated pursuant to subdivision (c) for employees
29 and annuitants whose compensation or annuities are paid
30 from that fund.

31 (e) Notwithstanding any other provision of law and
32 subject to the availability of funds, moneys within the
33 Rural Health Care Equity Trust Fund shall be disbursed
34 ~~for the benefit of employees, as defined in subdivision (e)~~
35 ~~of Section 3513, who live in rural areas and who are~~
36 ~~otherwise eligible, (1) to subsidize the preferred for the~~
37 *benefit of an employee who lives in a rural area and who*
38 *is otherwise eligible. The disbursements shall, where*
39 *there is no board-approved health maintenance*
40 *organization plan available in an area that is open for*



1 enrollment for the employee, (1) subsidize the preferred
2 provider plan premiums for the employee, by an amount
3 equal to the difference between the weighted average of
4 board-approved health maintenance organization
5 premiums, as identified by the board, and the lowest
6 premiums and the lowest board-approved preferred
7 provider plan premium available to the employee; and
8 (2) to reimburse the available under this part and (2)
9 reimburse the employee for a portion or all of his or her
10 incurred deductibles, copayments coinsurances, and
11 other out-of-pocket health-related expenses. Those,
12 which would otherwise be covered if the employee was
13 enrolled in a board-approved health maintenance
14 organization plan.

15 These subsidies and reimbursements shall be provided
16 according to a fixed schedule through plan determined
17 by the department, which may include, but is not limited
18 to, a supplemental insurance plan, a medical
19 reimbursement account, or a medical spending account
20 plan, as determined by collective bargaining.

21 (f) Notwithstanding any other provision of law and
22 subject to the availability of funds, moneys within the
23 Rural Health Care Equity Trust Fund shall be disbursed
24 for the benefit of excluded employees, as defined in
25 subdivision (b) of Section 3527, who live in rural areas and
26 who are otherwise eligible, (1) to subsidize the preferred
27 provider plan premiums for the employee, by an amount
28 equal to the difference between the weighted average of
29 board-approved health maintenance organization
30 premiums, as identified by the board, and the lowest
31 board-approved preferred provider plan premium
32 available to the employee; and (2) to reimburse the
33 employee for a portion or all of his or her incurred
34 deductibles, copayments, and other out-of-pocket
35 health-related expenses. Those subsidies and
36 reimbursements shall be provided according to a fixed
37 schedule through a supplemental insurance plan, a
38 medical reimbursement account, or a medical spending
39 account plan, as determined by the board.

40 (g) account plan.



1 (f) Notwithstanding any other provision of law and
2 subject to the availability of funds, moneys within the
3 Rural Health Care Equity Trust Fund shall be disbursed
4 for the benefit of *eligible* annuitants, as defined in
5 subdivision (e) of Section 22754, who live in rural areas
6 and who are ~~otherwise eligible, (1) to subsidize the~~
7 ~~preferred provider plan premiums for the annuitant, by~~
8 ~~an amount equal to the difference between the weighted~~
9 ~~average of board approved health maintenance~~
10 ~~organization premiums, as identified by the board, and~~
11 ~~the lowest board approved preferred provider plan~~
12 ~~premium available to the annuitant; and (2) to reimburse~~
13 ~~the annuitant for a portion or all of his or her incurred~~
14 ~~deductibles, copayments, and other out-of-pocket~~
15 ~~health-related expenses or incurred Medicare Part B~~
16 ~~premiums, exclusive of penalties. Those subsidies and~~
17 ~~reimbursements shall be provided according to a fixed~~
18 ~~schedule through a supplemental insurance plan, a~~
19 ~~medical reimbursement account, or a medical spending~~
20 ~~account plan, as determined by the board.~~

21 ~~(h) otherwise eligible. The disbursements shall,~~
22 ~~where there is not board-approved health maintenance~~
23 ~~organization plan available and open to enrollment by~~
24 ~~the annuitant, either (A) reimburse the annuitant if he~~
25 ~~or she is not a Medicare participant, for some or all of his~~
26 ~~or her deductibles, not to exceed five hundred dollars~~
27 ~~(\$500) per fiscal year, or (B) reimburse MediCare Part B~~
28 ~~premiums incurred by the annuitant, not to exceed~~
29 ~~seventy-five dollars (\$75) per month, exclusive of~~
30 ~~penalties. These reimbursements shall be provided by the~~
31 ~~department.~~

32 *The state shall not reimburse for penalty amounts.*

33 (g) Any moneys remaining in any account of the fund
34 at the end of any fiscal year shall remain in the account
35 for use in subsequent fiscal years until the account is
36 terminated. Moneys remaining in any account of the fund
37 upon termination, after payment of all outstanding
38 expenses and claims incurred prior to the date of
39 termination, shall be deposited in the General Fund.

40 (i)



1 (h) The Legislature finds and declares that the Rural
2 Health Care Equity Trust Fund is a trust fund held for the
3 exclusive benefit of employees, annuitants, and family
4 members and the health plan carriers, insurers, and those
5 contracting to provide medical and hospital care services.

6 ~~SEC. 4. The sum of _____ dollars (\$_____) is~~
7 ~~appropriated from the General Fund to the Rural Health~~
8 ~~Care Equity Trust Fund, to be used to pay for the subsidy~~
9 ~~authorized by Section 22825.01 of the Government Code.~~

10 ~~SEC. 5. This act is an urgency statute necessary for the~~
11 ~~immediate preservation of the public peace, health, or~~
12 ~~safety within the meaning of Article IV of the~~
13 ~~Constitution and shall go into immediate effect. The facts~~
14 ~~constituting the necessity are:~~

15 ~~In order to protect state employees and annuitants in~~
16 ~~rural areas who do not have access to a competitive health~~
17 ~~maintenance organization from excessive and~~
18 ~~inequitable health care costs, it is necessary that this act~~
19 ~~take effect immediately.~~ *members.*

20 *(h) This section shall cease to be operative on January*
21 *1, 2005, or on such earlier date as the board makes a formal*
22 *determination that HMOs are no longer the most*
23 *cost-effective health care plans offered by the board.*

24 *SEC. 4. All qualified employees and annuitants may*
25 *seek reimbursement for qualified medical expenses*
26 *incurred on or after January 1, 2000.*

