

## Senate Bill No. 514

### CHAPTER 743

An act to repeal and add Section 22825.01 to the Government Code, relating to health care coverage.

[Approved by Governor October 7, 1999. Filed  
with Secretary of State October 10, 1999.]

#### LEGISLATIVE COUNSEL'S DIGEST

SB 514, 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. The provisions of the bill would cease to be operative on January 1, 2005, or earlier, as specified.

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

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

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 Section 22825.01 of the Government Code is repealed.

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

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

(1) A "rural area" means an area in which there is no board-approved health maintenance organization plan available for enrollment by state employees or annuitants who live in the area.

(2) "Coinsurance" means the provision of a medical plan design in which the plan or insurer and state employee or annuitant share the cost of hospital or medical expenses at a specified ratio.



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

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

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

(b) (1) The Rural Health Care Equity Trust Fund is hereby established in the State Treasury for the purpose of funding the subsidization and reimbursement of premium costs, deductibles, coinsurance, and other out-of-pocket health care costs, which would otherwise be covered if the state employee or annuitant was enrolled in a board-approved health maintenance organization plan, paid by employees and annuitants living in rural areas, as authorized by this section. The fund shall be administered by the department or by a third-party administrator approved by the department in a manner consistent with all applicable state and federal laws. Interest earned from the fund shall be used to offset administrative costs. The board shall determine the rural area for each subsequent fiscal year at the same meeting when the board approves premiums for health maintenance organizations.

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

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

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

(2) As the employer’s contribution with respect to each excluded employee, as defined in subdivision (b) of Section 3527, who lives in a rural area and who is otherwise eligible, an amount equal to, but not to exceed, the amount given to eligible state employees, as defined in subdivision (c) of Section 3513, who live in a rural area.

(3) As the employer’s contribution with respect to each annuitant, as defined in subdivision (e) of Section 22754, who lives in a rural area, is not a Medicare participant, and who is otherwise eligible, an amount not to exceed five hundred dollars (\$500) per year.

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



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

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

(e) Notwithstanding any other provision of law and subject to the availability of funds, moneys within the Rural Health Care Equity Trust Fund shall be disbursed for the benefit of an employee who lives in a rural area and who is otherwise eligible. The disbursements shall, where there is no board-approved health maintenance organization plan available in an area that is open for enrollment for the employee, (1) subsidize the preferred provider plan premiums for the employee, by an amount equal to the difference between the weighted average of board-approved health maintenance organization premiums and the lowest board-approved preferred provider plan premium available under this part and (2) reimburse the employee for a portion or all of his or her incurred deductibles, coinsurances, and other out-of-pocket health-related expenses, which would otherwise be covered if the employee was enrolled in a board-approved health maintenance organization plan.

These subsidies and reimbursements shall be provided according to a plan determined by the department, which may include, but is not limited to, a supplemental insurance plan, a medical reimbursement account, or a medical spending account plan.

(f) Notwithstanding any other provision of law and subject to the availability of funds, moneys within the Rural Health Care Equity Trust Fund shall be disbursed for the benefit of eligible annuitants, as defined in subdivision (e) of Section 22754, who live in rural areas and who are otherwise eligible. The disbursements shall, where there is not board-approved health maintenance organization plan available and open to enrollment by the annuitant, either (A) reimburse the annuitant if he or she is not a Medicare participant, for some or all of his or her deductibles, not to exceed five hundred dollars (\$500) per fiscal year, or (B) reimburse Medicare Part B premiums incurred by the annuitant, not to exceed seventy-five dollars (\$75) per month, exclusive of penalties. These reimbursements shall be provided by the department.

The state shall not reimburse for penalty amounts.

(g) Any moneys remaining in any account of the fund at the end of any fiscal year shall remain in the account for use in subsequent fiscal years until the account is terminated. Moneys remaining in any account of the fund upon termination, after payment of all



outstanding expenses and claims incurred prior to the date of termination, shall be deposited in the General Fund.

(h) The Legislature finds and declares that the Rural Health Care Equity Trust Fund is a trust fund held for the exclusive benefit of employees, annuitants, and family members.

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

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

