

MAINE STATE LEGISLATURE

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FIRST REGULAR SESSION

ONE HUNDRED AND NINTH LEGISLATURE

Legislative Document

No. 1574

S. P. 513

In Senate, April 20, 1979

Reported by Senator Chapman of Sagadahoc, for the Commissioner of Business Regulation Pursuant to Resolve 1977 Chapter 75. Under Joint Rules No. 117, and ordered printed.

MAY M. ROSS, Secretary of the Senate.

STATE OF MAINE

IN THE YEAR OF OUR LORD NINETEEN HUNDRED
SEVENTY-NINE

AN ACT Relating to a Health Benefits Program for State Employees.

Be it enacted by the People of the State of Maine, as follows:

Sec. 1. 5 MRSA c. 13, sub-c. II, as amended, is repealed.

Sec. 2. 5 MRSA c. 101, sub-c. VIII is enacted to read:

SUBCHAPTER VIII

GROUP HEALTH BENEFITS PROGRAM

§ 1185. **Group health benefits for state employees and their dependents**

Group health benefits shall be made available to state employees and their dependents subject to the following provisions.

1. Group health benefits defined. As used in this subchapter, "group health benefits" shall mean group hospital, medical and major medical benefits as provided by the insurance laws of this State.

2. Eligibility. Each appointed or elective officer or employee of the State who is eligible for membership in the Maine State Retirement System or the State Police Retirement System; a member of the judiciary; or an employee of the Maine State Credit Union, the Maine State Employees Association, Council 74 of

the American Federation of State, County and Municipal Employees or the Maine Turnpike Authority, including those employees in any of the categories who have retired and any such employees in any of the categories who retire and who, on the date of their retirement, are currently enrolled in the health benefit plan shall be eligible for the group health benefits program. Program eligibility shall not be extended to include members of the Maine Municipal Association, the Maine Teachers Association or employees of counties and municipalities and instrumentalities thereof, including quasi-municipal corporations. Dependents of eligible employees in any of these categories may be included within the health benefits program.

3. **Enrollment.** Any employee eligible under this section may join within the first 60 days of his employment or during a declared open enrollment period. The filing of necessary applications shall be the responsibility of his employer. Effective dates under this section shall be at the discretion of the Health Benefits Board.

4. **Coverage.** Each state employee to whom this subchapter applies shall be eligible for group health benefits determined by any of the methods listed in this subsection.

A. Any part of the coverage may be provided from one or more insurance companies or nonprofit organizations.

B. Any part of the coverage may be self-insured by the State.

§ 1186. Administration

1. **Health Benefits Board.** The responsibility for the proper operation of the group health program and for making this subchapter effective are vested in the Health Benefits Board. The board shall formulate policies and exercise general supervision under this subchapter. Administrative responsibility under this subchapter shall be vested in the Executive Director of the Maine State Retirement System. The board shall determine through competitive bidding the best method or methods of providing group health benefits, taking into consideration the cost to the State and state employees, the quality of the service, the funding of the service, the reporting and handling of claims and the number, type and cost of personnel to administer these benefits.

2. **Health Benefits Board membership.** The Health Benefits Board shall consist of 5 members, 2 of whom shall be appointed by the Maine State Employees Association; one of whom shall be a retired state employee selected by a majority vote of the presidents of the chapters of the Retired State Employees Association; and 2 members who shall be appointed by the Governor, one of whom shall be a state employee. The members of the board shall hold office for 3 years, with initial appointments to be made as follows: One member appointed by the Governor for 3 years and one member appointed by the Governor for 2 years; one member appointed by the Maine State Employees Association for 3 years and one member appointed by the Maine State Employees Association for 2 years; and one member appointed by the Retired State Employees Association for one year.

3. Expenses. The members of the board shall be reimbursed from the Health Benefits Fund for all necessary expenses that they may incur through service on the board and shall be entitled to a payment of \$50 per diem in addition to expenses when engaged in the performance of authorized board duties. No payments shall be made under this subsection until sums are available in the Health Benefits Fund.

4. Oath. Each board member shall, within 10 days after his appointment, take an oath of office to faithfully discharge the duties of a board member, in the form prescribed by the Constitution of Maine. Such oath shall be subscribed to by the board member making it and certified by the officer before whom it is taken and immediately filed in the office of the Secretary of State.

5. Quorum. Each board member shall be entitled to one vote on the Health Benefits Board. Three board members shall constitute a quorum for the transaction of any business. Three votes shall be necessary for any resolution or action by the board at any meeting of the board.

6. Chairman; employees. The board shall elect a chairman from its membership. The Executive Director of the Maine State Retirement System with the consent of a majority of the board shall engage such services as shall be required to transact the business of the board. All such employees shall be considered as employees of the State and subject to all the provisions of state law regarding state employees and shall be employed under the rules and regulations established by the State Personnel Board and shall receive such compensation as is provided by the rules and regulations of the State Personnel Board for state employees in similar capacities.

7. Insured health benefits. To the extent health benefits are to be insured, other than through self-insurance, the board shall purchase, through competitive bidding from one or more insurance companies or nonprofit organizations, group policies of health benefits as defined in this subchapter. Such company or companies or nonprofit organizations shall be licensed under the laws of this State. The policy provisions shall be subject to and as provided by the insurance laws of this State.

The insurance company or companies or nonprofit organizations shall furnish the usual master policy, certificates or certificate booklets. The Executive Director of the Maine State Retirement System shall be the holder of the master policy or policies.

8. Changes of coverage. The board is authorized to change health benefits coverage, in whole or in part, from insured to self-insured coverage and vice versa. For the purpose of making such changes, the board may enter into any necessary contracts, and the board is specifically authorized to include in such contracts provisions to hold harmless an existing health benefits provider in order to receive any funds due the State which are held by the provider.

9. Rules and regulations. The board shall from time to time establish the rules and regulations for the administration of the Health Benefits Fund and for the transaction of its business.

10. Data. The executive director shall keep in convenient form such data as shall be deemed necessary by the board for review of the experience of the group health benefits program.

11. Consulting actuary.

A. The board shall designate an actuary to act on a consulting basis. The consulting actuary, if an individual, shall be a member of the Academy of Actuaries. If the actuary is a firm of actuaries, it shall designate one of its members to perform the functions required of the actuary under this subchapter who shall be a member of the Academy of Actuaries. The actuary shall be the technical advisor to the board.

B. The actuary shall develop all specifications required by the board for competitive bidding and shall review all bids received and furnish the board with a written report of his findings and recommendations.

C. In the event the board decides to self-insure any part of the health benefits program, the actuary shall determine the type and form of experience reports which the board shall require.

D. The actuary shall make such investigations of the health benefits program for the purpose of determining the actuarial assumptions to be recommended to the board for adoption so that proper cost levels for the health benefits program may be obtained.

E. The actuary shall periodically review the status of the Health Benefits Fund and make such recommendations as appear appropriate.

F. The actuary shall make an annual report in writing to the board which shall include recommendations for the next fiscal year.

12. Annual report. The board shall make an annual report to the Governor.

§ 1187. Financing

1. Payment by the State. The State through the Health Benefits Board shall pay 100% of only the employee's share of the health benefits. Payment for any dependent coverage shall be paid by the employee.

2. Health Benefits Fund. If any of the group health benefits are to be self-insured, the State Controller shall open on the books of the State an account to be known as the "Health Benefits Fund." All contributions for health benefits by state employees or by the State on behalf of state employees, together with returns of any type from financial institutions or agencies, plus any investment income generated by the Health Benefits Fund, shall be credited to this fund.

This fund shall be charged with the cost of all health benefit obligations assumed by the board, including the cost of all claim, administrative and actuarial services and all start-up costs incurred by the board for health benefits. The minimum balance which should be developed in the health benefits fund is that amount which through actuarial projections is deemed sufficient to liquidate all outstanding claims and deferred administrative expenses for handling these claims in the event of termination.

Any unexpended balance shall not lapse but shall constitute a continuous carrying account.

Sec. 3. Continuance of benefits. Any employee who retired prior to April 26, 1968, and who subsequently has continued group health benefits from the State shall be continued under this health benefit program.

Fiscal Note

It is estimated that the cost to administer this Act prior to the determination by the board whether to insure or self-insure health benefits would be \$68,000. That part of the program which may be self-insured would be self-supporting thereafter and in addition would reimburse the General Fund for the amounts previously spent in arriving at such determination.

STATEMENT OF FACT

Chapter 75 of the Resolves of 1977 required that the Commissioner of Business Regulation conduct a study of the cost and benefits accruing to the State as a result of self-insurance of all or part of the group health benefits for employees of the State of Maine.

Pursuant to this request, the Commissioner of Business Regulation employed the actuarial firm of Tillinghast, Nelson and Warren, Inc., to conduct a feasibility study of self-insurance for medical benefits for employees of the State of Maine.

Their recommendations suggest, in part, that the State adopt a self-insured medical program for state employees as it was their considered opinion that such a program would be more cost efficient to the State and its employees.

This bill would make it possible, on an optional basis, to self-insure any part of the health benefit program if it appears to be in the best interest of the State and its employees.

This bill also would locate the board in the State Retirement System, thus bringing together, in one place, all personnel benefits provided employees through this State.