

Senate Engrossed

state employees; health; accident; insurance

State of Arizona  
Senate  
Fifty-fifth Legislature  
First Regular Session  
2021

**CHAPTER 245**  
**SENATE BILL 1347**

AN ACT

AMENDING SECTION 38-651.05, ARIZONA REVISED STATUTES; REPEALING SECTION 38-651.06, ARIZONA REVISED STATUTES; AMENDING SECTIONS 38-652, 38-654 AND 38-658, ARIZONA REVISED STATUTES; RELATING TO HEALTH AND ACCIDENT INSURANCE.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 38-651.05, Arizona Revised Statutes, is amended  
3 to read:

4 38-651.05. Flexible or cafeteria employee benefit plan; fund

5 A. The department of administration is authorized to establish a  
6 flexible or cafeteria employee benefit plan ~~which~~ THAT may provide for  
7 deductions or salary reductions for group life insurance, disability  
8 insurance, group accidental death and dismemberment insurance, long-term  
9 care coverage, health and accident insurance or other authorized employee  
10 benefits, which meet the requirements of the United States internal  
11 revenue code of 1986 and regulations thereunder and to adopt rules for its  
12 administration.

13 B. The department of administration shall determine the frequency  
14 of payroll deductions for purposes of this section for those state  
15 officers or employees under payroll systems under the direction of the  
16 department of administration. For all other state officers or employees  
17 under other state payroll systems, the appropriate state agency, board,  
18 commission or institution shall determine the frequency of payroll  
19 deductions for purposes of this section.

20 C. ~~A~~ THE flexible or cafeteria employee benefit plan fund is  
21 established. Monies received by the department of administration from  
22 employee contributions to the flexible or cafeteria employee benefit plan  
23 established pursuant to subsection A OF THIS SECTION shall be deposited in  
24 the fund or deposited directly with a third party under contract with the  
25 department of administration to administer the plan. Investment earnings  
26 shall be deposited to the credit of the fund.

27 D. The department of administration shall use any monies remaining  
28 in the fund or on deposit with a third party under contract to administer  
29 the plan at the end of each fiscal year in the following priority:

30 1. To cover the costs to this state of administering the flexible  
31 or cafeteria employee benefit plan under subsection A OF THIS SECTION.

32 2. After payment of the administrative costs, the remainder shall  
33 be used to reduce in a uniform manner the employee and employer  
34 contributions to benefits included under a flexible or cafeteria employee  
35 benefit plan.

36 ~~E. Notwithstanding the provisions of subsection A, the flexible or~~  
37 ~~cafeteria employee benefit plan shall not provide cash as an employee~~  
38 ~~benefit. Monies used in accordance with subsection D to establish, fund~~  
39 ~~and administer dependent care accounts or similar accounts, shall not be~~  
40 ~~considered providing cash as an employee benefit.~~

41 Sec. 2. Repeal

42 Section 38-651.06, Arizona Revised Statutes, is repealed.

1           Sec. 3. Section 38-652, Arizona Revised Statutes, is amended to  
2 read:

3           38-652. Experience rating dividends and unused claim  
4                     reserves; deposit; trust account

5           A. Monies that are to be paid by any insurance carrier, other than  
6 a carrier that is being discontinued, as experience rating dividends or  
7 unused claim reserves resulting from health and accident coverage provided  
8 pursuant to this article shall be paid to the department of  
9 administration. All such monies received by the department from such  
10 carriers shall be deposited, pursuant to sections 35-146 and 35-147, by  
11 the department within five days after receipt, ~~in~~ in a trust account to be  
12 administered by the department of administration. All such monies that  
13 are to be paid by an insurance carrier that will no longer continue as a  
14 carrier providing coverage pursuant to this article shall be paid to the  
15 department of administration. The department shall deposit, pursuant to  
16 sections 35-146 and 35-147, all such monies received from such  
17 discontinued carriers in the state general fund.

18           B. On notice from the department of administration, the state  
19 treasurer shall invest and divest monies in the fund as provided by  
20 section 35-313, and monies earned from investment shall be credited to the  
21 fund.

22           C. Monies deposited in the trust account, together with all monies  
23 derived from investment of such ~~funds~~ MONIES, shall be used by the  
24 department of administration as provided in this subsection for the  
25 benefit of participating officers and employees who select a health and  
26 accident insurance benefit plan pursuant to this article ~~which~~ THAT  
27 produces cash experience dividends and requires payroll deductions. Such  
28 monies shall be used as determined by the department of administration  
29 only for either or both of the following purposes:

- 30           1. To apply against premiums to be paid.  
31           2. To purchase additional health and accident benefits for officers  
32 and employees and for the dependents of such officers and employees  
33 participating in the plan.

34           D. ~~The provisions of~~ Subsection C of this section ~~shall not be~~  
35 ~~construed to~~ DOES NOT require that all monies in the trust fund ~~shall~~ be  
36 used within any one or more fiscal years. Any person who is no longer an  
37 employee of the state or an employee who is no longer a participant in a  
38 plan of the insurance carrier from which such monies were derived shall  
39 forfeit ~~his~~ THE PERSON'S right to any such premium reduction or plan  
40 improvement.

41           E. Monies deposited in or credited to the trust account shall be  
42 exempt from the provisions of section 35-190 relating to the reversion of  
43 monies to the state general fund.

44           F. No monies may be withdrawn from the trust account except ~~upon~~ ON  
45 the warrant of the department of administration.

1 ~~G. The department of administration shall annually report the~~  
2 ~~financial status of the trust account to officers and employees who have~~  
3 ~~paid premiums under one of the insurance plans from which monies were~~  
4 ~~received for deposit in the trust account since the inception of the~~  
5 ~~health and accident coverage program or since submission of the last such~~  
6 ~~report, whichever is later.~~

7 Sec. 4. Section 38-654, Arizona Revised Statutes, is amended to  
8 read:

9 38-654. Special employee health insurance trust fund;  
10 purpose; investment of monies; use of monies;  
11 exemption from lapsing; annual report

12 A. ~~There is established a~~ THE special employee health insurance  
13 trust fund ~~for the purpose of administering~~ IS ESTABLISHED TO ADMINISTER  
14 the state employee health insurance benefit plans. The fund shall consist  
15 of legislative appropriations, monies collected from the employer and  
16 employees for the health insurance benefit plans and investment earnings  
17 on monies collected from employees. The fund shall be administered by the  
18 director of the department of administration. Monies in the fund that are  
19 determined by the legislature to be for administrative expenses of the  
20 department of administration, including monies authorized by subsection C,  
21 paragraph 4 of this section, are subject to legislative appropriation.

22 B. On notice from the department of administration, the state  
23 treasurer shall invest and divest monies in the fund as provided by  
24 section 35-313, and monies earned from investment shall be credited to the  
25 fund. There shall be a separate accounting of monies contributed by the  
26 employer, monies collected from state employees and investment earnings on  
27 monies collected from employees. Monies collected from state employees  
28 for health insurance benefit plans shall be expended before expenditure of  
29 monies contributed by the employer.

30 C. Monies in the fund shall be used by the department of  
31 administration for the following purposes for the benefit of officers and  
32 employees who participate in a health insurance benefit plan pursuant to  
33 this article:

34 1. To administer a health insurance benefit program for state  
35 officers and employees.

36 2. To pay health insurance premiums, claims costs and related  
37 administrative expenses.

38 3. To apply against future premiums, claims costs and related  
39 administrative expenses.

40 4. To apply the equivalent of not more than ~~one dollar fifty cents~~  
41 \$1.50 for each employee for each month to administer applicable federal  
42 and state laws relating to health insurance benefit programs and to  
43 design, implement and administer improvements to the employee health  
44 insurance or benefit program.

1 D. Subsection C of this section ~~shall not be construed to~~ DOES NOT  
2 require that all monies in the special employee health insurance trust  
3 fund ~~shall~~ be used within any one or more fiscal years. Any person who is  
4 no longer a state employee or an employee who is no longer a participant  
5 in a health insurance plan under contract with the department of  
6 administration shall have no claim on monies in the fund.

7 E. Monies deposited in or credited to the fund are exempt from the  
8 provisions of section 35-190 relating to lapsing of appropriations.

9 ~~F. Claims for services rendered before July 1, 1989 shall not be  
10 paid from the special employee health insurance trust fund.~~

11 ~~G.~~ F. The department of administration shall submit an annual  
12 report on the financial status of the special employee insurance trust  
13 fund to the governor, the president of the senate, the speaker of the  
14 house of representatives, the chairpersons of the house and senate  
15 appropriations committees and the joint legislative budget committee staff  
16 by July 1. THE DEPARTMENT SHALL MAKE THE REPORT AVAILABLE TO OFFICERS AND  
17 EMPLOYEES WHO HAVE PAID PREMIUMS UNDER ONE OF THE INSURANCE PLANS FROM  
18 WHICH MONIES WERE RECEIVED FOR DEPOSIT IN THE TRUST ACCOUNT SINCE THE  
19 INCEPTION OF THE HEALTH AND ACCIDENT COVERAGE PROGRAM OR SINCE THE  
20 DEPARTMENT SUBMITTED THE LAST REPORT, WHICHEVER IS LATER. The report  
21 shall include:

22 1. The actuarial assumptions and a description of the methodology  
23 used to set premiums and reserve balance targets for the health insurance  
24 benefit program for the current plan year.

25 2. An analysis of the actuarial soundness of the health insurance  
26 benefit program for the previous plan year.

27 3. An analysis of the actuarial soundness of the health insurance  
28 benefit program for the current plan year, based on both year-to-date  
29 experience and total expected experience.

30 4. A preliminary estimate of the premiums and reserve balance  
31 targets for the next plan year, including the actuarial assumptions and a  
32 description of the methodology used.

33 5. THE REQUIRED AND ACTUAL PERFORMANCE STANDARDS FOR THE PRIOR PLAN  
34 YEAR FOR THE CONTRACTED HEALTH PLANS, INCLUDING INDEMNITY HEALTH  
35 INSURANCE, HOSPITAL AND MEDICAL SERVICE PLANS, DENTAL PLANS AND HEALTH  
36 MAINTENANCE ORGANIZATIONS.

37 ~~H.~~ G. The department shall submit a report to the joint  
38 legislative budget committee detailing any changes to the type of benefits  
39 offered under the plan and associated costs at least forty-five days  
40 before making the change. The report shall include:

41 1. An estimate of the cost or saving associated with the change.

42 2. An explanation of why the change was implemented before the next  
43 plan year.

1           Sec. 5. Section 38-658, Arizona Revised Statutes, is amended to  
2 read:

3           38-658. Report to joint legislative budget committee

4           ~~A.~~ At least ten days before the department of administration enters  
5 into or renews contracts for medical and dental insurance coverage, the  
6 director of the department of administration shall meet with and review  
7 for the joint legislative budget committee in executive session the  
8 planned contribution strategy for each health plan, including indemnity  
9 health insurance, hospital and medical service plans, dental plans and  
10 health maintenance organizations. Information provided in executive  
11 session shall remain confidential until the contract award is made in  
12 compliance with title 41, chapter 23.

13           ~~B. On or before October 1 of each year, the director of the~~  
14 ~~department of administration shall report to the joint legislative budget~~  
15 ~~committee on the performance standards for health plans, including~~  
16 ~~indemnity health insurance, hospital and medical service plans, dental~~  
17 ~~plans and health maintenance organizations.~~

APPROVED BY THE GOVERNOR APRIL 16, 2021.

FILED IN THE OFFICE OF THE SECRETARY OF STATE APRIL 16, 2021.