

**CONCURRENT RESOLUTION ON STATE EMPLOYEE
BENEFITS AND PROVIDING A REFUND FROM THE
STATE HEALTH INSURANCE POOL**

2020 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: Lincoln Fillmore

House Sponsor: Norman K. Thurston

LONG TITLE

General Description:

This concurrent resolution directs the Public Employees' Benefit and Insurance Program to offer certain benefits with respect to employee health benefit packages and to reimburse the excess funds held in the state health insurance pool.

Highlighted Provisions:

This resolution:

- ▶ describes the state's philosophy on compensation and benefit design for state employees;
- ▶ acknowledges the excess money held in reserve in the state health insurance pool; and
- ▶ directs the Public Employees' Benefit and Insurance Program to:
 - increase the salaries of employees that choose not to receive benefits under the Public Employees' Benefit and Insurance Program;
 - allow employees who receive coverage under the Consumer Plus plan to elect to receive 100% of employer HSA contributions as cash;
 - increase the premium share percentage for the STAR HSA plan for the 2020-2021 plan year;
 - offer HSA dental plans; and
 - reimburse the state and state employees the excess funds held in the state health insurance pool.

Special Clauses:

None

Be it resolved by the Legislature of the state of Utah, the Governor concurring therein:

WHEREAS, the state offers a competitive compensation package for employees that generally provides a higher percentage of benefits compared to salary than other employers on the market;

WHEREAS, while many state employees prefer a higher level of benefits compared to salary, others may prefer more compensation in cash and less in benefits;

WHEREAS, the state has encouraged HSA adoption to foster greater consumerism which could be extended to dental plan options;

WHEREAS, some employees may value state-provided medical and dental benefits less because of access to such coverage through a spouse or other source;

WHEREAS, the Legislature, during the 2019 General Session, permitted state employees on HSA-eligible plans to take up to half of the state's HSA contributions in cash;

WHEREAS, to maintain benefit equity and cost neutrality, state employees who convert the state's HSA contribution to cash are responsible for all related taxes, including employer FICA, and the cash, as a converted benefit, is not included in compensation for other employee benefits;

WHEREAS, the state desires to extend the ability of state employees on the HSA-eligible Consumer Plus plan to convert up to 100% of the state's HSA contribution to cash, provided that the employee is responsible for all related taxes, including employer FICA, and no amount is included as compensation for other employee benefits;

WHEREAS, the state desires to differentiate the STAR HSA plan from the Consumer Plus plan by charging a premium to be offset by an HSA increase for Fiscal Year 2021;

WHEREAS, the state desires to make HSA-based plans available for dental benefits;

WHEREAS, the state is willing to pay more in salary to state employees who opt out of medical or dental benefits because it results in significant cost savings to the state;

WHEREAS, unlike an HSA contribution converted to cash, the increased salary paid to state employees who opt out of coverage is taxed as income, with the state paying employer FICA, and counts toward other employee benefits, because the salary never takes the form of a medical or dental benefit and is paid from significant cost savings, eliminating equity and budgetary issues; and

WHEREAS, the state health insurance pool currently exceeds the recommended reserve level, making it possible for the state and its employees to receive a refund of \$25,460,000 from the pool with \$23,300,000, or 92%, of the refund going to the state and the remaining \$2,160,000, or 8%, going to state employees:

NOW, THEREFORE, BE IT RESOLVED, that the Legislature, the Governor concurring therein, directs:

(1) PEHP to notify State Finance of any state employee who opts out of medical or dental benefits upon proof of other insurance coverage during open enrollment or a special enrollment period;

(2) State Finance to increase the salary of a state employee who opts out of medical coverage as provided in Section (1) to a proportionate share of the following amounts each payroll period:

(a) \$2,000 per year for an employee eligible for single coverage; and

(b) \$4,000 per year for an employee eligible for double or family coverage;

(3) State Finance to increase the salary of a state employee who opts out of dental benefits as provided in Section (1) to a proportionate share of the following amounts each payroll period:

(a) \$400 per year for an employee eligible for family coverage;

(b) \$200 per year for an employee eligible for double coverage; and

(c) \$100 per year for an employee eligible for single coverage;

(4) State Finance to treat the amounts described in Sections (2) and (3) as income for purposes of employer FICA, retirement contributions, workers' compensation, long-term disability, and any other benefit;

(5) PEHP to assist State Finance in creating a cash-in-lieu of benefits flexible spending account to allow a state employee to opt out of medical or dental benefits as directed above;

(6) PEHP to give a state employee on Consumer Plus the option of electing up to 100% of the allocation sent to PEHP as an HSA contribution to be forwarded to that employee rather than be deposited into the employee's HSA, and to distribute that sum at the same time Health Savings Account contributions are dispersed;

(7) PEHP to require a state employee who requests any part of an HSA contribution in cash to agree to the following as a condition of receiving payment:

(a) that the sum is not compensation, but an employee benefit, and thus may not be counted toward retirement contributions, workers' compensation, long-term disability, or any other benefit; and

(b) that the sum paid is subject to all taxes related to that sum, including employer FICA;

(8) PEHP to charge state employees on the STAR HSA Plan a premium of 2% of the health plan costs on an ongoing basis and to increase the state's HSA contribution by the same amount as the 2% employee premium share for Fiscal Year 2021 only;

(9) PEHP to offer a new BASIC HSA Dental Plan with coverage for basic dental, no premium, and a state HSA contribution, paid at the same time as the medical HSA, of:

(a) \$255 for family coverage;

(b) \$140 for double coverage; and

(c) \$75 for single coverage;

(10) PEHP to offer a new DISCOUNT HSA Dental Plan with no premium and access to PEHP's dental network for discounted rates and a state HSA contribution, paid at the same time as the medical HSA, of:

(a) \$785 for family coverage;

(b) \$430 for double coverage; and

(c) \$235 for single coverage;

(11) PEHP to develop rules of eligibility for the options above to minimize adverse

114 selection and address other insurance-related issues; and
115 (12) PEHP to refund \$25,460,000 from the state health insurance pool to the state and
116 its employees before May 1, 2020, with \$23,300,000, or 92%, of the refund going to the state
117 and the remaining \$2,160,000, or 8%, going to state employees.