

**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: _____

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



28 • reimburse the state and state employees the excess funds held in the state health
29 insurance pool.

30 **Special Clauses:**

31 None



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

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

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

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

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

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

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

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

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

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

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

58 WHEREAS, unlike an HSA contribution converted to cash, the increased salary paid to

59 state employees who opt out of coverage is taxed as income, with the state paying employer
60 FICA, and counts toward other employee benefits, because the salary never takes the form of a
61 medical or dental benefit and is paid from significant cost savings, eliminating equity and
62 budgetary issues; and

63 WHEREAS, the state health insurance pool currently exceeds the recommended reserve
64 level, making it possible for the state and its employees to receive a refund of \$25,460,000
65 from the pool with \$23,300,000, or 92%, of the refund going to the state and the remaining
66 \$2,160,000, or 8%, going to state employees:

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

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

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

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

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

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

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

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

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

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

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

88 (6) PEHP to give a state employee on Consumer Plus the option of electing up to 100%
89 of the allocation sent to PEHP as an HSA contribution to be forwarded to that employee rather

90 than be deposited into the employee's HSA, and to distribute that sum at the same time Health
91 Savings Account contributions are dispersed;

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

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

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

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

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

104 (a) \$255 for family coverage;

105 (b) \$140 for double coverage; and

106 (c) \$75 for single coverage;

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

110 (a) \$785 for family coverage;

111 (b) \$430 for double coverage; and

112 (c) \$235 for single coverage;

113 (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.