

Second Regular Session
Sixty-eighth General Assembly
STATE OF COLORADO

INTRODUCED

LLS NO. 12-0453.01 Gregg Fraser x4325

HOUSE BILL 12-1250

HOUSE SPONSORSHIP

Holbert,

SENATE SPONSORSHIP

Harvey,

House Committees

Finance

Appropriations

Senate Committees

A BILL FOR AN ACT

101 **CONCERNING THE PREMIUM SUBSIDY PROVIDED BY PUBLIC EMPLOYERS**
102 **TO THE HEALTH CARE BENEFITS PROGRAM ADMINISTERED BY**
103 **THE PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION.**

Bill Summary

(Note: This summary applies to this bill as introduced and does not reflect any amendments that may be subsequently adopted. If this bill passes third reading in the house of introduction, a bill summary that applies to the reengrossed version of this bill will be available at <http://www.leg.state.co.us/billsummaries>.)

The public employees' retirement association (PERA) administers a health benefits program for governmental employers within PERA who elect to belong to the program. Currently, a portion of the employer's share of contributions to PERA equal to 1.02% of its employees' salaries

Shading denotes HOUSE amendment. Double underlining denotes SENATE amendment.
Capital letters indicate new material to be added to existing statute.
Dashes through the words indicate deletions from existing statute.

is paid into the PERA health care trust fund (trust fund). These moneys, along with interest and investment income in the trust fund, are used to provide a premium subsidy for retirees to purchase health care coverage through the program. Retirees pay the difference between the amount of the subsidy and the premium for the particular health plan they select. The amount of the subsidy increases for each year of service credit the retiree earned as an employee, with a full subsidy provided to retirees with 20 or more years of service credit. The full subsidy currently specified in law is \$230 for retirees who are not eligible for medicare and \$115 for retirees who are eligible for medicare. The PERA board is authorized to change the amount of the subsidy by rule.

Beginning January 1, 2013, the bill modifies the way employers contribute towards the premium subsidy for PERA retirees. Instead of contributing based on the amount of current employees' salaries, the bill requires employers to contribute an amount equal to the subsidies paid out on behalf of retirees each year. The amount of the subsidy continues to be specified in statute; however, it cannot be modified by the PERA board and any future changes to the subsidy may only be made by the general assembly acting by bill. The premium subsidy for retirees who are eligible for medicare is also eliminated.

1 *Be it enacted by the General Assembly of the State of Colorado:*

2 **SECTION 1.** In Colorado Revised Statutes, 24-51-208, **amend**

3 (1) (f) and (1) (f.5) as follows:

4 **24-51-208. Allocation of moneys.** (1) The moneys of the
5 association shall be divided into several trust funds, including, but not
6 limited to:

7 (f) (I) The health care trust fund, created pursuant to the
8 provisions of section 24-51-1201 (1), which consists of a portion of the
9 employer contributions ~~equal to one and two one-hundredths percent of~~
10 ~~member salaries~~ AS SPECIFIED IN SUBPARAGRAPH (II) OF THIS PARAGRAPH
11 (f); a portion of the amount paid by members to purchase service credit
12 relating to noncovered employment as determined pursuant to section
13 24-51-505 (7); ~~thirty percent of the amount of any reduction in the~~
14 ~~employer contribution rates as determined in section 24-51-408.5 (5) to~~

1 ~~amortize any overfunding in each division's trust fund;~~ deductions of
2 premium amounts from monthly benefits of participating benefit
3 recipients; premiums paid directly to the trust fund by participating
4 benefit recipients, members, and dependents; monthly payments made by
5 employers on behalf of participating benefit recipients, members, and
6 dependents; and interest; in addition to a proportional share of investment
7 income earned thereon;

8 (II) (A) PRIOR TO JANUARY 1, 2013, THE HEALTH CARE TRUST
9 FUND CONSISTS OF A PORTION OF THE EMPLOYER CONTRIBUTIONS EQUAL
10 TO ONE AND TWO ONE-HUNDREDTHS PERCENT OF MEMBER SALARIES.

11 (B) ON AND AFTER JANUARY 1, 2013, THE HEALTH CARE TRUST
12 FUND CONSISTS OF A PORTION OF THE EMPLOYER CONTRIBUTIONS EQUAL
13 TO THE AMOUNT OF PREMIUM SUBSIDIES PAID FOR PERSONS ENROLLED IN
14 THE HEALTH CARE PROGRAM.

15 (f.5) (I) The Denver public schools division health care trust fund,
16 created pursuant to the provisions of section 24-51-1201 (2), which
17 consists of a portion of the employer contributions ~~equal to one and two~~
18 ~~one-hundredths percent of member salaries~~ AS SPECIFIED IN
19 SUBPARAGRAPH (II) OF THIS PARAGRAPH (f.5); a portion of the amount
20 paid by members to purchase service credit relating to noncovered
21 employment as determined pursuant to section 24-51-505 (7); deductions
22 of premium amounts from monthly benefits of participating benefit
23 recipients; premiums paid directly to the trust fund by participating
24 benefit recipients, members, and dependents; monthly payments made by
25 employers on behalf of participating benefit recipients, members, and
26 dependents; and interest; in addition to a proportional share of investment
27 income earned thereon;

1 (II) (A) PRIOR TO JANUARY 1, 2013, THE DENVER PUBLIC SCHOOLS
2 DIVISION HEALTH CARE TRUST FUND CONSISTS OF A PORTION OF THE
3 EMPLOYER CONTRIBUTIONS EQUAL TO ONE AND TWO ONE-HUNDREDTHS
4 PERCENT OF MEMBER SALARIES.

5 (B) ON AND AFTER JANUARY 1, 2013, THE DENVER PUBLIC
6 SCHOOLS DIVISION HEALTH CARE TRUST FUND CONSISTS OF A PORTION OF
7 THE EMPLOYER CONTRIBUTIONS EQUAL TO THE AMOUNT OF PREMIUM
8 SUBSIDIES PAID FOR PERSONS ENROLLED IN THE HEALTH CARE PROGRAM.

9 **SECTION 2.** In Colorado Revised Statutes, 24-51-1202, **amend**
10 (1) (a) as follows:

11 **24-51-1202. Health care program - design.** (1) (a) The board
12 shall design a group health care program for retirees, members, DPS
13 members, DPS retirees, and their dependents, ~~with or~~ without full
14 medicare coverage provided by the federal "Health Insurance for the
15 Aged Act", 42 U.S.C. sec. 1395, as amended. This program shall provide
16 health care benefits and a level of reimbursement for health care expenses
17 which are consistent with prevailing community practices and other
18 governmental health care systems, protection from catastrophic financial
19 loss, and current and long-term fiscal soundness of the trust fund as
20 determined by the board.

21 **SECTION 3.** In Colorado Revised Statutes, 24-51-1206, **amend**
22 (1) and (2); and **repeal** (4) and (6) as follows:

23 **24-51-1206. Premium subsidy.** (1) (a) The provisions of this
24 section shall apply to the health care trust fund for the school, state, local
25 government, and judicial divisions.

26 (b) After July 1, 1987, BUT PRIOR TO JANUARY 1, 2013, the general
27 assembly shall consider the recommendation of the board and shall

1 approve the premium subsidy that shall be paid monthly from the health
2 care fund for benefit recipients enrolled in the health care program. The
3 premium subsidy shall be set without regard to the division from which
4 the retiree retired.

5 (c) ON AND AFTER JANUARY 1, 2013, THE PREMIUM SUBSIDY
6 SHALL BE AS PROVIDED IN PARAGRAPH (b) OF SUBSECTION (2) OF THIS
7 SECTION. THE PREMIUM SUBSIDY SHALL NOT BE MODIFIED BY THE BOARD
8 THROUGH RULE-MAKING OR OTHERWISE AND MAY ONLY BE MODIFIED BY
9 THE GENERAL ASSEMBLY ACTING BY BILL.

10 (d) No premium subsidy shall be paid for persons enrolled in the
11 health care program who are not benefit recipients.

12 (2) (a) Except as otherwise provided in this section, and unless
13 otherwise determined by the board through rule-making pursuant to
14 section 24-51-204 (5), on and after July 1, 2000, BUT PRIOR TO JANUARY
15 1, 2013, the premium subsidy shall be:

16 (a) (I) Two hundred thirty dollars per month for benefit recipients
17 who are under sixty-five years of age and who are not entitled to medicare
18 hospital insurance benefits provided by the federal "Health Insurance for
19 the Aged Act", 42 U.S.C. sec. 1395, as amended; AND

20 (b) (II) One hundred fifteen dollars per month for benefit
21 recipients who are sixty-five years of age or older or who are under
22 sixty-five years of age and entitled to medicare hospital insurance benefits
23 provided by the federal "Health Insurance for the Aged Act", 42 U.S.C.
24 sec. 1395, as amended.

25 (b) EXCEPT AS OTHERWISE PROVIDED IN THIS SECTION, ON AND
26 AFTER JANUARY 1, 2013, THE PREMIUM SUBSIDY SHALL BE TWO HUNDRED
27 THIRTY DOLLARS PER MONTH FOR BENEFIT RECIPIENTS WHO ARE UNDER

1 SIXTY-FIVE YEARS OF AGE AND WHO ARE NOT ENTITLED TO MEDICARE
2 HOSPITAL INSURANCE BENEFITS PROVIDED BY THE FEDERAL "HEALTH
3 INSURANCE FOR THE AGED ACT", 42 U.S.C. SEC. 1395, AS AMENDED.

4 ~~(4) The premium subsidy for a benefit recipient who is sixty-five~~
5 ~~years of age or older and who is not entitled to medicare hospital~~
6 ~~insurance benefits provided by the federal "Health Insurance for the Aged~~
7 ~~Act", 42 U.S.C. sec. 1395, as amended, shall be an amount which shall~~
8 ~~ensure that the premium paid by such benefit recipient is the same amount~~
9 ~~as the premium paid by a benefit recipient who is sixty-five years of age~~
10 ~~or older with the same number of years of service credit, who is entitled~~
11 ~~to medicare hospital insurance benefits, and who has selected the same~~
12 ~~plan and type of coverage under the health care program.~~

13 ~~(6) Any member or DPS member who does not have a member~~
14 ~~contribution account on December 31, 2009, must earn ten years of~~
15 ~~service credit with an affiliated employer other than an employer within~~
16 ~~the Denver public schools division in order to qualify, or for any benefit~~
17 ~~recipient whose benefits are based upon such members to qualify, for the~~
18 ~~premium subsidy specified in subsection (4) of this section. The service~~
19 ~~credit used in said calculation of the amount of the premium subsidy~~
20 ~~specified in subsection (4) of this section for disability retirees or their~~
21 ~~cobeneficiaries shall be the same service credit used in said calculation~~
22 ~~of the disability retirement benefit pursuant to the provisions of section~~
23 ~~24-51-704.~~

24 **SECTION 4.** In Colorado Revised Statutes, 24-51-1206.7,
25 **amend** (1) and (2) as follows:

26 **24-51-1206.7. Denver public schools division premium**
27 **subsidy.** (1) (a) The provisions of this section apply to the DPS health

1 care trust fund.

2 (b) After January 1, 2010, BUT PRIOR TO JANUARY 1, 2013, the
3 general assembly shall consider the recommendation of the board and
4 shall approve by resolution the premium subsidy to be paid monthly from
5 the Denver public schools health care trust fund for subsidy recipients of
6 the Denver public schools division enrolled in the health care program.

7 (c) ON AND AFTER JANUARY 1, 2013, THE PREMIUM SUBSIDY
8 SHALL BE AS PROVIDED IN PARAGRAPH (b) OF SUBSECTION (2) OF THIS
9 SECTION. THE PREMIUM SUBSIDY SHALL NOT BE MODIFIED BY THE BOARD
10 THROUGH RULE-MAKING OR OTHERWISE AND MAY ONLY BE MODIFIED BY
11 THE GENERAL ASSEMBLY ACTING BY BILL.

12 (d) No premium subsidy shall be paid for persons enrolled in the
13 health care program who are not benefit recipients. It is the intent of this
14 section not to cause an increase or decrease in health care subsidies by
15 DPS.

16 (2) (a) Except as otherwise provided in this section, and unless
17 otherwise determined by the board through rule-making pursuant to
18 section 24-51-204 (5), on and after January 1, 2010, BUT PRIOR TO
19 JANUARY 1, 2013, the premium subsidy for benefit recipients of the
20 Denver public schools division shall be:

21 ~~(a)~~ (I) Two hundred thirty dollars per month for subsidy recipients
22 who are not entitled to medicare hospital insurance benefits provided by
23 the federal "Health Insurance for the Aged Act", 42 U.S.C. sec. 1395, as
24 amended; and

25 ~~(b)~~ (II) One hundred fifteen dollars per month for subsidy
26 recipients who are entitled to medicare hospital insurance benefits
27 provided by the federal "Health Insurance for the Aged Act", 42 U.S.C.

1 sec. 1395, as amended.

2 (b) ON AND AFTER JANUARY 1, 2013, THE PREMIUM SUBSIDY FOR
3 BENEFIT RECIPIENTS OF THE DENVER PUBLIC SCHOOLS DIVISION SHALL BE
4 TWO HUNDRED THIRTY DOLLARS PER MONTH FOR SUBSIDY RECIPIENTS
5 WHO ARE NOT ENTITLED TO MEDICARE HOSPITAL INSURANCE BENEFITS
6 PROVIDED BY THE FEDERAL "HEALTH INSURANCE FOR THE AGED ACT", 42
7 U.S.C. SEC. 1395, AS AMENDED.

8 **SECTION 5. Act subject to petition - effective date.** This act
9 shall take effect at 12:01 a.m. on the day following the expiration of the
10 ninety-day period after final adjournment of the general assembly (August
11 8, 2012, if adjournment sine die is on May 9, 2012); except that, if a
12 referendum petition is filed pursuant to section 1 (3) of article V of the
13 state constitution against this act or an item, section, or part of this act
14 within such period, then the act, item, section, or part shall not take effect
15 unless approved by the people at the general election to be held in
16 November 2012 and shall take effect on the date of the official
17 declaration of the vote thereon by the governor.