

# **WEST VIRGINIA LEGISLATURE**

## **2020 REGULAR SESSION**

**Introduced**

### **Senate Bill 713**

BY SENATORS PLYMALE, MANN, ROMANO, STOLLINGS,

AND HARDESTY

[Introduced February 5, 2020; referred  
to the Committee on Banking and Insurance; and then  
to the Committee on Finance]

1 A BILL to amend and reenact §5-16-5 of the Code of West Virginia, 1931, as amended, relating  
 2 to the allocation of premiums for employers and employees in the Public Employees  
 3 Insurance Agency.

*Be it enacted by the Legislature of West Virginia:*

**ARTICLE 16. WEST VIRGINIA PUBLIC EMPLOYEES INSURANCE ACT.**

**§5-16-5. Purpose, powers and duties of the finance board; initial financial plan; financial plan for following year; and annual financial plans.**

1 (a) The purpose of the finance board created by this article is to bring fiscal stability to the  
 2 Public Employees Insurance Agency through development of annual financial plans and long-  
 3 range plans designed to meet the agency’s estimated total financial requirements, taking into  
 4 account all revenues projected to be made available to the agency and apportioning necessary  
 5 costs equitably among participating employers, employees, and retired employees and providers  
 6 of health care services.

7 (b) The finance board shall retain the services of an impartial, professional actuary, with  
 8 demonstrated experience in analysis of large group health insurance plans, to estimate the total  
 9 financial requirements of the Public Employees Insurance Agency for each fiscal year and to  
 10 review and render written professional opinions as to financial plans proposed by the finance  
 11 board. The actuary shall also assist in the development of alternative financing options and  
 12 perform any other services requested by the finance board or the director. All reasonable fees  
 13 and expenses for actuarial services shall be paid by the Public Employees Insurance Agency.  
 14 Any financial plan or modifications to a financial plan approved or proposed by the finance board  
 15 pursuant to this section shall be submitted to and reviewed by the actuary and may not be finally  
 16 approved and submitted to the Governor and to the Legislature without the actuary’s written  
 17 professional opinion that the plan may be reasonably expected to generate sufficient revenues to  
 18 meet all estimated program and administrative costs of the agency, including incurred but  
 19 unreported claims, for the fiscal year for which the plan is proposed. The actuary’s opinion on the

20 financial plan for each fiscal year shall allow for no more than 30 days of accounts payable to be  
21 carried over into the next fiscal year. The actuary's opinion for any fiscal year ~~shall~~ may not include  
22 a requirement for establishment of a reserve fund.

23 (c) All financial plans required by this section shall establish:

24 (1) Maximum levels of reimbursement which the Public Employees Insurance Agency  
25 makes to categories of health care providers;

26 (2) Any necessary cost-containment measures for implementation by the director;

27 (3) The levels of premium costs to participating employers; and

28 (4) The types and levels of cost to participating employees and retired employees.

29 The financial plans may provide for different levels of costs based on the insureds' ability  
30 to pay. The finance board may establish different levels of costs to retired employees based upon  
31 length of employment with a participating employer, ability to pay or other relevant factors. The  
32 financial plans may also include optional alternative benefit plans with alternative types and levels  
33 of cost. The finance board may develop policies which encourage the use of West Virginia health  
34 care providers.

35 In addition, the finance board may allocate a portion of the premium costs charged to  
36 participating employers to subsidize the cost of coverage for participating retired employees, on  
37 such terms as the finance board determines are equitable and financially responsible.

38 (d)(1) The finance board shall prepare an annual financial plan for each fiscal year during  
39 which the finance board remains in existence. The finance board ~~chairman~~ chair shall request the  
40 actuary to estimate the total financial requirements of the Public Employees Insurance Agency  
41 for the fiscal year.

42 (2) The finance board shall prepare a proposed financial plan designed to generate  
43 revenues sufficient to meet all estimated program and administrative costs of the Public  
44 Employees Insurance Agency for the fiscal year. The proposed financial plan shall allow for no  
45 more than 30 days of accounts payable to be carried over into the next fiscal year. Before final

46 adoption of the proposed financial plan, the finance board shall request the actuary to review the  
47 plan and to render a written professional opinion stating whether the plan will generate sufficient  
48 revenues to meet all estimated program and administrative costs of the Public Employees  
49 Insurance Agency for the fiscal year. The actuary's report shall explain the basis of its opinion. If  
50 the actuary concludes that the proposed financial plan will not generate sufficient revenues to  
51 meet all anticipated costs, then the finance board shall make necessary modifications to the  
52 proposed plan to ensure that all actuarially determined financial requirements of the agency will  
53 be met.

54 (3) Upon obtaining the actuary's opinion, the finance board shall conduct one or more  
55 public hearings in each congressional district to receive public comment on the proposed financial  
56 plan, shall review the comments, and shall finalize and approve the financial plan.

57 (4) Any financial plan shall be designed to allow 30 days or less of accounts payable to be  
58 carried over into the next fiscal year. For each fiscal year, the Governor shall provide his or her  
59 estimate of total revenues to the finance board no later than October 15, of the preceding fiscal  
60 year: *Provided*, That, for the prospective financial plans required by this section, the Governor  
61 shall estimate the revenues available for each fiscal year of the plans based on the estimated  
62 percentage of growth in general fund revenues. The finance board shall submit its final, approved  
63 financial plan, after obtaining the necessary actuary's opinion and conducting one or more public  
64 hearings in each congressional district, to the Governor and to the Legislature no later than  
65 January 1, preceding the fiscal year. This estimated available revenue shall become final within  
66 16 days from the first date of commencement of a legislative session and that amount shall  
67 be appropriated by the Legislature on or by that date. The financial plan for a fiscal year  
68 becomes effective and shall be implemented by the director on July 1 of the fiscal year. In addition  
69 to each final, approved financial plan required under this section, the finance board shall also  
70 simultaneously submit financial statements based on generally accepted accounting practices  
71 (GAAP) and the final, approved plan restated on an accrual basis of accounting, which shall

72 include allowances for incurred but not reported claims: *Provided, however,* That the financial  
73 statements and the accrual-based financial plan restatement shall not affect the approved  
74 financial plan.

75 (e) The provisions of §29A-1-1 *et seq.* of this code shall do not apply to the preparation,  
76 approval, and implementation of the financial plans required by this section.

77 (f) By January 1 of each year the finance board shall submit to the Governor and the  
78 Legislature a prospective financial plan, for a period not to exceed five years, for the programs  
79 provided in this article. Factors that the board shall consider include, but are not limited to, the  
80 trends for the program and the industry; the medical rate of inflation; utilization patterns; cost of  
81 services; and specific information such as average age of employee population, active to retiree  
82 ratios, the service delivery system, and health status of the population.

83 (g) The prospective financial plans shall be based on the estimated revenues submitted  
84 in accordance with §5-16-5(d)(4) of this code and shall include an average of the projected cost-  
85 sharing percentages of premiums and an average of the projected deductibles and copays for the  
86 various programs. Beginning in the plan year which commences on July 1, 2002, and in each  
87 plan year thereafter, until and including the plan year which commences on July 1, 2006, the  
88 prospective plans shall include incremental adjustments toward the ultimate level required in this  
89 subsection, in the aggregate cost-sharing percentages of premium between employers and  
90 employees, including the amounts of any subsidization of retired employee benefits. Effective in  
91 the plan year commencing on July 1, 2006 and in each plan year thereafter, until and including  
92 the plan year which commences on July 1, 2021, the aggregate premium cost-sharing  
93 percentages between employers and employees, including the amounts of any subsidization of  
94 retired employee benefits, shall be at a level of 80 percent for the employer and 20 percent for  
95 employees, except for the employers provided in §5-16-18(d) of this code whose premium cost-  
96 sharing percentages shall be governed by that subsection. Effective in the plan year  
97 commencing on July 1, 2021, and in each plan year thereafter, the aggregate premium cost-

98 sharing percentages between employers and employees, including the amounts of any  
99 subsidization of retired employee benefits, shall be at a level of at least 80 percent for the  
100 employer and no more than 20 percent for employees. The finance board is authorized to  
101 impose the employees' share through increases in premiums and/or an increase in  
102 deductibles, copayments, coinsurance and wellness initiatives. The cost-sharing percentages  
103 shall be based not on total premiums but on the growth in future projected plan expenditures:  
104 *Provided, That if the Legislature has appropriated more than the 80 percent of the growth in*  
105 *plan expenditures in the previous year, the employers' share of the growth in plan expenditures*  
106 *for the next plan year may be reduced by the percentage above 80 percent appropriated in the*  
107 *previous year, but may not go below 70 percent. Employers' premium cost-sharing*  
108 *percentages provided in §5-16-18(d) of this code shall be governed by that subsection. After*  
109 the submission of the initial prospective plan, the board may not increase costs to the participating  
110 employers or change the average of the premiums, deductibles, and copays for employees,  
111 except in the event of a true emergency as provided in this section: *Provided, That if the board*  
112 *invokes the emergency provisions, the cost shall be borne between the employers and employees*  
113 *in proportion to the cost-sharing ratio for that plan year: *Provided, however, That for purposes of**  
114 *this section, "emergency" means that the most recent projections demonstrate that plan expenses*  
115 *will exceed plan revenues by more than one percent in any plan year: *Provided further, That the**  
116 *aggregate premium cost-sharing percentages between employers and employees, including the*  
117 *amounts of any subsidization of retired employee benefits, may be offset, in part, by a legislative*  
118 *appropriation for that purpose.*

119 (h) The finance board shall meet on at least a quarterly basis to review implementation of  
120 its current financial plan in light of the actual experience of the Public Employees Insurance  
121 Agency. The board shall review actual costs incurred, any revised cost estimates provided by the  
122 actuary, expenditures and any other factors affecting the fiscal stability of the plan and may make  
123 any additional modifications to the plan necessary to ensure that the total financial requirements

124 of the agency for the current fiscal year are met. The finance board may not increase the types  
125 and levels of cost to employees during its quarterly review except in the event of a true  
126 emergency.

127 (i) For any fiscal year in which legislative appropriations differ from the Governor's  
128 estimate of general and special revenues available to the agency, the finance board shall, within  
129 30 days after passage of the budget bill, make any modifications to the plan necessary to ensure  
130 that the total financial requirements of the agency for the current fiscal year are met.

NOTE: The purpose of this bill is to allow a modification of the allocation of premiums for employers and employees in the Public Employees Insurance Agency.

Strike-throughs indicate language that would be stricken from a heading or the present law, and underscoring indicates new language that would be added.