

State of Arkansas
93rd General Assembly
Fiscal Session, 2022

A Bill

SENATE BILL 86

By: Senators Hickey, Irvin, Beckham, L. Chesterfield, J. Dismang, Elliott, J. English, Flippo, Gilmore, Hill, K. Ingram, B. Johnson, G. Leding, Rice, B. Sample, D. Sullivan

By: Representatives Wardlaw, Shepherd, Beaty Jr., Beck, M. Berry, S. Berry, Bragg, Brown, C. Cooper, Crawford, Dalby, M. Davis, Dotson, Ennett, Eubanks, K. Ferguson, C. Fite, D. Garner, Godfrey, Hawks, M. Hodges, Hollowell, Hudson, Jett, Love, Maddox, McCullough, S. Meeks, Nicks, Perry, Scott, S. Smith, Speaks, Vaught, Warren, D. Whitaker, Wing, Wooten

For An Act To Be Entitled

AN ACT TO ESTABLISH A FUNDING MECHANISM TO ENSURE SOLVENCY OF THE STATE AND PUBLIC SCHOOL LIFE AND HEALTH INSURANCE PROGRAM; TO DECLARE AN EMERGENCY; AND FOR OTHER PURPOSES.

Subtitle

TO ESTABLISH A FUNDING MECHANISM TO ENSURE SOLVENCY OF THE STATE AND PUBLIC SCHOOL LIFE AND HEALTH INSURANCE PROGRAM; AND TO DECLARE AN EMERGENCY.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:

SECTION 1. Arkansas Code Title 21, Chapter 5, Subchapter 4, is amended to add an additional section to read as follows:

21-5-419. Mandatory reserve balance – Funding mechanism established to maintain reserve balance – Legislative intent – Definition.

(a) It is the intent of the General Assembly that:

(1) The Director of the Employee Benefits Division shall:

(A) Maintain a reserve balance to ensure the solvency of the State and Public School Life and Health Insurance Program; and

(B) Work to achieve an optimal reserve balance of fourteen



percent (14%) to ensure the solvency of the program; and

(2) Maintaining an optimal reserve balance is necessary to moderate the effect of premium rate increases and premium rate decreases on members of the program.

(b) As used in this section, "reserve balance" means the amount in a fund that includes the existing balance, minus the claims that have been incurred but not reported, and calculated as a percentage of expenses for each year for the:

(1) Arkansas State Employees Health Benefit Plan; or

(2) Arkansas Public School Employees Health Benefit Plan.

(c)(1) Beginning in plan year 2023, the director shall take any actions necessary to achieve and maintain an optimal reserve balance of fourteen percent (14%) to ensure the solvency of the program.

(2) An acceptable reserve balance amount is:

(A) No less than twelve percent (12%) for state employees;

and

(B) No less than twelve percent (12%) for public school

employees.

(d) Annually by April 30, the director shall:

(1) Calculate the projected reserve balance for:

(A) The remaining calendar year; and

(B) The next three (3) calendar years;

(2) Determine whether the amount of revenue collected by the Employee Benefits Division is projected to satisfy the optimal reserve balance for state employees and the optimal reserve balance for public school employees established under subdivision (c)(2) of this section for the remaining calendar year;

(3) Notify the Legislative Council of the projected reserve balance for the remaining calendar year as described in subdivision (d)(1)(A) of this section; and

(4) Submit for prior approval by the Legislative Council his or her plan to achieve or maintain the optimal reserve balance.

(e) If the director's determination under subdivision (d)(1)(A) of this section does not equal or exceed the acceptable reserve balance amount as described in subdivision (c)(2) of this section, the director shall notify the Legislative Council of the need to convene to consider providing

additional funding.

(f)(1) The Legislative Council shall review the director's determination required under subsection (e) of this section and, if additional funding is needed to maintain the acceptable reserve balance amount as described in subdivision (c)(2) of this section, may:

(A) Recommend that the Governor call an extraordinary session of the General Assembly; or

(B) Take further action as may be appropriate.

(2) If, by July 30 following the Legislative Council's review of the director's determination under subdivision (f)(1) of this section, the General Assembly fails to provide funding to maintain an acceptable reserve balance amount as described in subdivision (c)(2) of this section, the director shall initiate a process to collect the required additional revenue from program participants through premium rate increases or reducing program benefits, or both, for the next plan year.

(g)(1) If the director determines that the reserve balance for state employees will exceed sixteen percent (16%) or that the reserve balance for public school employees will exceed sixteen percent (16%), with the approval of the Legislative Council, the director may elect to use the excess to directly benefit the program through lowering of premium rates for the next plan year or through expanding program benefits.

(2) If the director does not elect under subdivision (g)(1) of this section to use the amount exceeding sixteen percent (16%) to directly benefit the program through lowering of premium rates for the next plan year or through expanding program benefits, the director shall report to the Legislative Council his or her rationale for not lowering premium rate increases for the next plan year or for not expanding program benefits.

SECTION 2. EMERGENCY CLAUSE. It is found and determined by the General Assembly of the State of Arkansas that the State and Public School Life and Health Insurance Program is inadequate to provide sustainable affordable health benefits for public school employees and state employees; that an urgent need exists to address the state's funding and administration of benefits for public school employees and state employees in order for the program to remain viable and to avoid severe financial hardship to plan participants; and that this act is immediately necessary to provide

affordable health benefit options in a timely manner to the state's public school employees participating in the program and state employees participating in the program. Therefore, an emergency is declared to exist, and this act being immediately necessary for the preservation of the public peace, health, and safety shall become effective on:

(1) The date of its approval by the Governor;

(2) If the bill is neither approved nor vetoed by the Governor, the expiration of the period of time during which the Governor may veto the bill; or

(3) If the bill is vetoed by the Governor and the veto is overridden, the date the last house overrides the veto.

APPROVED: 3/1/22