



H.B. 379

123rd General Assembly
(As Introduced)

Reps. Peterson, Allen, Barrett, Britton, Distel, Flannery, Jacobson, Netzley, Schuler, Terwilleger, Trakas, Willamowski

BILL SUMMARY

- Allows townships to authorize the making of cash payments under certain circumstances to their officers or employees, in lieu of offered health or life insurance benefits or offered health care services benefits, at no more than 25% of the cost of the premiums or payments for the offered benefits.
- Permits townships to offer their officers and employees group health benefits through an "IRS cafeteria plan," including cash payments at no more than 25% of the cost of the premiums or payments for offered health benefits.

CONTENT AND OPERATION

Current law regarding township procurement of health and life insurance for officers and employees

Under current law, a board of township trustees may procure and pay all or any part of the cost of *health insurance policies* that provide benefits for hospitalization, surgical care, major medical care, disability, dental care, eye care, medical care, hearing aids, prescription drugs, or sickness and accident insurance, or a combination of any of the foregoing types of insurance, for township officers and employees. If the board procures any of these policies, the board must provide *uniform* coverage for township officers and full-time township employees and their immediate dependents; the township also may provide coverage for part-time employees and their immediate dependents. (See **COMMENT.**) Any township officer or employee can refuse to accept the insurance coverage without affecting the availability of the coverage to other township officers and employees. (Sec. 505.60(A).)

Current law permits a board of township trustees to alternatively contract for *group health care services* with health insuring corporations for township officers and employees. These contracts also must provide uniform coverage for township officers and full-time employees and their immediate dependents and may provide coverage for part-time employees and their immediate dependents. (Sec. 505.60(A).)

In addition, the board of township trustees may procure and pay all or any part of the cost of *group life insurance* to insure the lives of township officers and full-time employees, but the amount of coverage provided by the board cannot exceed \$50,000 per "officer" (sec. 505.60(B)).

Cash payments in lieu of insurance benefits

The bill proposes to permit a board of township trustees to establish a policy that authorizes any "township appointing authority" to make a cash payment to any officer or employee in lieu of providing a health insurance or health care services benefit, or life insurance benefit, if the officer or employee elects to take the cash payment instead of an offered benefit. The cash payment must not exceed 25% of the cost of premiums or payments that otherwise would be paid by the board for benefits for the officer or employee under an offered policy or plan. (Sec. 505.60(E).) To receive a cash payment in lieu of a *health* benefit, the officer or employee must sign a statement affirming that the officer or employee is covered under another health insurance or health care policy, contract, or plan, and setting forth pertinent information about that coverage (sec. 505.60(F)).¹

Township health benefits through "cafeteria plans"

The bill authorizes a board of township trustees to offer health benefits to township officers and employees through a "cafeteria plan" that meets the requirements of section 125 of the Internal Revenue Code. That section generally defines a "cafeteria plan" as a plan under which (1) all participants are employees and (2) the participants choose among two or more benefits consisting of cash or qualified benefits.² As part of that plan, a board may offer an officer or employee the option of receiving a cash payment "in any form permissible under such cafeteria plans," but this cash payment cannot exceed 25% of the cost of premiums or payments that otherwise would be paid by the board for health benefits for the

¹ The bill refers in section 505.60(E) to any benefit provided "under this section," which includes life insurance benefits, but the statement referred to in section 505.60(F) only requires affirmation that other health benefits coverage exists.

² 26 U.S.C.A. 125(d).

officer or employee under a policy or plan. Again, the officer or employee must provide a statement affirming coverage under another health insurance or health care policy, contract, or plan. (Sec. 505.60(D) and (F).)

COMMENT

Recent legislation passed by the General Assembly and signed by the Governor changes current township health benefits provisions to permit townships to reimburse a township officer or employee who is *denied coverage* under a township health care plan or who *elects not to participate* in the township's plan for out-of-pocket premiums for insurance policies with the previously described types of benefits that the officer or employee otherwise obtains. The reimbursement cannot exceed an amount equal to the average premium paid by the township for its officers and employees under policies it procures. "Premium" does not include any deductible or health care costs paid directly by a township officer or employee. (Sec. 505.60(C) and (F)(2) of Am. Sub. H.B. 187 of the 123rd General Assembly.)

Am. Sub. H.B. 187 also authorizes a township that *does not procure health care benefits* for its officers and employees to reimburse any officer or employee for each out-of-pocket premium that the officer or employee incurs for insurance policies with the specified types of benefits, if all of the following conditions are met: (1) the board of township trustees adopts a resolution stating that the township has chosen not to procure a health care plan and has chosen instead to reimburse its officers and employees for each out-of-pocket premium that they incur for insurance policies they otherwise obtain, (2) the resolution provides for a uniform maximum monthly or yearly payment amount for each officer or employee beyond which the township will not reimburse the officer or employee, and (3) the resolution states the specific benefits (limited to the previously described types of benefits) for which the township will reimburse all officers and employees of the township. (Sec. 505.601.)

Finally, Am. Sub. H.B. 187 also moves the existing authority for townships to procure and pay for group life insurance for township officers and full-time employees to a new and separate section (sec. 505.602).

Because Am. Sub. H.B. 187 has become law, the provisions of H.B. 379 need to be reconciled with the changes made in Am. Sub. H.B. 187.

HISTORY

ACTION	DATE	JOURNAL ENTRY
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