

ASSEMBLY BILL NO. 286—ASSEMBLYMEN KOIVISTO, MCCLAIN, KNECHT, CHOWNING, OHRENSCHALL, ANDERSON, ATKINSON, BUCKLEY, CARPENTER, CLABORN, COLLINS, CONKLIN, GIUNCHIGLIANI, GOICOECHEA, MANENDO, MCCLEARY, OCEGUERA, PARKS, PIERCE AND WILLIAMS

MARCH 11, 2003

Referred to Concurrent Committees on Government
Affairs and Ways and Means

SUMMARY—Revises provisions governing health insurance for retired officers and employees of local governments. (BDR 23-1124)

FISCAL NOTE: Effect on Local Government: Yes.
Effect on the State: Yes.

CONTAINS UNFUNDED MANDATE (§ 1)
(NOT REQUESTED BY AFFECTED LOCAL GOVERNMENT)

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EXPLANATION – Matter in *bolded italics* is new; matter between brackets ~~omitted material~~ is material to be omitted.

AN ACT relating to programs for public personnel; requiring the governing body of a local government to pay a certain portion of the costs of coverage under the Public Employees' Benefits Program for persons retired from the service of the local government who join the Program upon retirement; requiring each governing body of a local government to ensure that rates established for coverage for their programs of group insurance are the same for all participants; requiring the Board of the Public Employees' Benefits Program to establish rates and coverage for active and retired officers and employees of local governments that participate in the Program and their dependents based on the separate commingled claims experience of those active and retired officers and employees and their dependents; providing a period of open enrollment in which retired public officers and employees of local governments who joined the Public



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Employees' Benefits Program upon retirement may join the group insurance or medical and hospital service of their last public employer; and providing other matters properly relating thereto.

THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED IN
SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

- 1 **Section 1.** NRS 287.023 is hereby amended to read as follows:
2 287.023 1. Whenever an officer or employee of the
3 governing body of any county, school district, municipal
4 corporation, political subdivision, public corporation or other public
5 agency of the State of Nevada retires under the conditions set forth
6 in NRS 1A.350 or 1A.480, or 286.510 or 286.620 and, at the time of
7 his retirement, was covered or had his dependents covered by any
8 group insurance or medical and hospital service established pursuant
9 to NRS 287.010 ~~{and}~~ *or* 287.020, the officer or employee has the
10 option upon retirement to cancel or continue any such group
11 insurance or medical and hospital service coverage or join the
12 Public Employees' Benefits Program to the extent that such
13 coverage is not provided to him or a dependent by the Health
14 Insurance for the Aged Act, 42 U.S.C. §§ 1395 et seq.
15 2. A retired person who *joins the Public Employees' Benefits*
16 *Program upon retirement pursuant to subsection 1 or* continues
17 coverage under the Public Employees' Benefits Program shall
18 assume the portion of the premium or ~~{membership}~~ *contribution*
19 costs for the coverage ~~{continued}~~ which the governing body *or the*
20 *State* does not pay on behalf of retired officers or employees. ~~{A~~
21 ~~person who joins the Public Employees' Benefits Program for the~~
22 ~~first time upon retirement shall assume all costs for the coverage.}~~ A
23 dependent of such a retired person has the option, which may be
24 exercised to the same extent and in the same manner as the retired
25 person, to cancel or continue coverage in effect on the date the
26 retired person dies. The dependent is not required to continue to
27 receive retirement payments from the Public Employees' Retirement
28 System to continue coverage.
29 3. Except as otherwise provided in NRS 287.0235, notice of
30 the selection of the option must be given in writing to the last public
31 employer of the officer or employee within 60 days after the date of
32 retirement or death, as the case may be. If no notice is given by that
33 date, the retired employee and his dependents shall be deemed to
34 have selected the option to cancel the coverage or not to join the
35 Public Employees' Benefits Program, as the case may be.



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1 4. The governing body of any county, school district,
2 municipal corporation, political subdivision, public corporation or
3 other public agency of this state ~~{may}~~ :

4 (a) *May* pay the cost, or any part of the cost, of group insurance
5 and medical and hospital service coverage *established pursuant to*
6 *NRS 287.010 or 287.020* for persons ~~{eligible for}~~ *who continue*
7 that coverage pursuant to subsection 1, but it must not pay a greater
8 portion than it does for its current officers and employees.

9 (b) *Shall pay the same portion of the cost of coverage under*
10 *the Public Employees' Benefits Program for persons who join the*
11 *Program upon retirement pursuant to subsection 1 as the State*
12 *pays pursuant to subsection 2 of NRS 287.046 for persons retired*
13 *from state service who have continued to participate in the*
14 *Program.*

15 5. *The governing body of any county, school district,*
16 *municipal corporation, political subdivision, public corporation or*
17 *other public agency of this state shall, for the purpose of*
18 *establishing actuarial data to determine rates and coverage for*
19 *persons who continue coverage for group insurance or medical*
20 *and hospital service with the governing body pursuant to*
21 *subsection 1, commingle the claims experience of those persons*
22 *with the claims experience of active officers and employees and*
23 *their dependents who participate in the group insurance or*
24 *medical and hospital service.*

25 **Sec. 2.** NRS 287.040 is hereby amended to read as follows:

26 287.040 The provisions of NRS 287.010 to 287.040, inclusive,
27 do not make it compulsory upon any governing body of any county,
28 school district, municipal corporation, political subdivision, public
29 corporation or other public agency of the State of Nevada to, except
30 as otherwise provided in NRS 287.021, ~~{make any contributions for~~
31 ~~the payment of}~~ *pay* any premiums, *contributions* or other costs for
32 group insurance or medical or hospital services ~~{}~~ *established*
33 *pursuant to NRS 287.010 or 287.020* or upon any officer or
34 employee of any county, school district, municipal corporation,
35 political subdivision, public corporation or other public agency of
36 this state to accept or join any plan of group insurance or to assign
37 his wages or salary or to authorize deductions from his wages or
38 salary in payment of premiums or contributions therefor.

39 **Sec. 3.** NRS 287.043 is hereby amended to read as follows:

40 287.043 1. The Board shall:

41 (a) Establish and carry out a program to be known as the Public
42 Employees' Benefits Program which:

43 (1) Must include a program relating to group life, accident or
44 health insurance, or any combination of these; and



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1 (2) May include a program to reduce taxable compensation
2 or other forms of compensation other than deferred
3 compensation,
4 for the benefit of all state officers and employees and other persons
5 who participate in the Program.

6 (b) Ensure that the Program is funded on an actuarially sound
7 basis and operated in accordance with sound insurance and business
8 practices.

9 2. In establishing and carrying out the Program, the Board
10 shall:

11 (a) For the purpose of establishing actuarial data to determine
12 rates and coverage for active and retired state officers and
13 employees and their dependents, commingle the claims experience
14 of such active and retired officers and employees and their
15 dependents.

16 (b) Except as otherwise provided in this paragraph, negotiate
17 and contract with the governing body of any public agency
18 enumerated in NRS 287.010 that wishes to obtain group insurance
19 for its *active and retired* officers ~~[employees and retired]~~ and
20 employees *and their dependents* by participation in the Program.
21 The Board shall establish separate rates and coverage for ~~[those~~
22 ~~officers, employees and retired]~~ *active and retired officers and*
23 employees *of those public agencies and their dependents* based on
24 actuarial reports ~~[that commingle the claims experience of such~~
25 *active and retired officers and employees and their dependents.*

26 (c) Except as otherwise provided in paragraph (d), provide
27 public notice in writing of any proposed changes in rates or
28 coverage to each participating public employer who may be affected
29 by the changes. Notice must be provided at least 30 days before the
30 effective date of the changes.

31 (d) If a proposed change is a change in the premium *or*
32 *contribution* charged for or coverage of health insurance, provide
33 written notice of the proposed change to all ~~[state officers,~~
34 ~~employees, retired employees and other persons who participate]~~
35 *participants* in the Program . ~~[who may be affected by the proposed~~
36 ~~change.]~~ The notice must be provided at least 60 days before the
37 date a ~~[state officer, employee, retired employee or other person]~~
38 *participant in the Program* is required to select or change his policy
39 of health insurance.

40 (e) Purchase policies of life, accident or health insurance, or any
41 combination of these, or, if applicable, a program to reduce the
42 amount of taxable compensation pursuant to 26 U.S.C. § 125, from
43 any company qualified to do business in this state or provide similar
44 coverage through a plan of self-insurance established pursuant to
45 NRS 287.0433 for the benefit of all eligible ~~[public officers,~~



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1 ~~employees and retired employees who participate~~ *participants* in
2 the Program.

3 (f) Except as otherwise provided in this title, develop and
4 establish other employee benefits as necessary.

5 (g) Investigate and approve or disapprove any contract proposed
6 pursuant to NRS 287.0479.

7 (h) Adopt such regulations and perform such other duties as are
8 necessary to carry out the provisions of NRS 287.0402 to 287.049,
9 inclusive, including, without limitation, the establishment of:

10 (1) Fees for applications for participation in the Program and
11 for the late payment of premiums or contributions;

12 (2) Conditions for entry and reentry into the Program by
13 public agencies enumerated in NRS 287.010;

14 (3) ~~The levels of participation in the Program required for~~
15 ~~employees of participating public agencies;~~

16 ~~(4)~~ Procedures by which a group of participants in the
17 Program may leave the Program pursuant to NRS 287.0479 and
18 conditions and procedures for reentry into the Program by those
19 participants; and

20 ~~(5)~~ (4) Specific procedures for the determination of
21 contested claims.

22 (i) Appoint an independent certified public accountant. The
23 accountant shall:

24 (1) Provide an annual audit of the Program; and

25 (2) Report to the Board and the Interim Retirement and
26 Benefits Committee of the Legislature created pursuant to
27 NRS 218.5373.

28 (j) Appoint an attorney who specializes in employee benefits.
29 The attorney shall:

30 (1) Perform a biennial review of the Program to determine
31 whether the Program complies with federal and state laws relating to
32 taxes and employee benefits; and

33 (2) Report to the Board and the Interim Retirement and
34 Benefits Committee of the Legislature created pursuant to
35 NRS 218.5373.

36 3. The Board shall submit an annual report regarding the
37 administration and operation of the Program to the Director of
38 the Legislative Counsel Bureau not more than 6 months before the
39 Board establishes rates and coverage for ~~members~~ *participants* for
40 the following calendar year. The report must include, without
41 limitation:

42 (a) The amount paid by the Program in the preceding calendar
43 year for the claims of active and retired ~~state officers and~~
44 ~~employees;~~ *participants in the Program;* and



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1 (b) The amount paid by the Program in the preceding calendar
2 year for the claims of retired ~~members of~~ *participants in* the
3 Program who were provided coverage for medical or hospital
4 service, or both, by the Health Insurance for the Aged Act, 42
5 U.S.C. §§ 1395 et seq., or a plan that provides similar coverage.

6 4. The Board may use any services provided to state agencies
7 and shall use the services of the Purchasing Division of the
8 Department of Administration to establish and carry out the
9 Program.

10 5. The Board may make recommendations to the Legislature
11 concerning legislation that it deems necessary and appropriate
12 regarding the Program.

13 6. The State and any other public employers that participate in
14 the Program are not liable for any obligation of the Program other
15 than indemnification of the Board and its employees against liability
16 relating to the administration of the Program, subject to the
17 limitations specified in NRS 41.0349.

18 7. As used in this section, "employee benefits" includes any
19 form of compensation provided to a public employee except federal
20 benefits, wages earned, legal holidays, deferred compensation and
21 benefits available pursuant to chapter 286 of NRS.

22 **Sec. 4.** NRS 287.0434 is hereby amended to read as follows:

23 287.0434 The Board may:

24 1. Use its assets to pay the expenses of health care for its
25 members and covered dependents, to pay its employees' salaries and
26 to pay administrative and other expenses.

27 2. Enter into contracts relating to the administration of the
28 Program, including, without limitation, contracts with licensed
29 administrators and qualified actuaries. Each such contract with a
30 licensed administrator:

31 (a) Must be submitted to the Commissioner of Insurance not less
32 than 30 days before the date on which the contract is to become
33 effective for approval as to the reasonableness of administrative
34 charges in relation to contributions collected and benefits provided.

35 (b) Does not become effective unless approved by the
36 Commissioner.

37 (c) Shall be deemed to be approved if not disapproved by the
38 Commissioner of Insurance within 30 days after its submission.

39 3. Enter into contracts with physicians, surgeons, hospitals,
40 health maintenance organizations and rehabilitative facilities for
41 medical, surgical and rehabilitative care and the evaluation,
42 treatment and nursing care of members and covered dependents.
43 The Board shall not enter into a contract pursuant to this subsection
44 unless:



1 (a) Provision is made by the Board to offer all the services
2 specified in the request for proposals, either by a health maintenance
3 organization or through separate action of the Board.

4 (b) The rates set forth in the contract are based on :

5 *(1) For active and retired state officers and employees and*
6 *their dependents, the commingled claims experience of such active*
7 *and retired [state] officers and employees and their dependents; and*
8 *(2) For active and retired officers and employees of public*
9 *agencies enumerated in NRS 287.010 that contract with the*
10 *Program to obtain group insurance by participation in the*
11 *Program and their dependents, the commingled claims experience*
12 *of such active and retired officers and employees and their*
13 *dependents.*

14 4. Enter into contracts for the services of other experts and
15 specialists as required by the Program.

16 5. Charge and collect from an insurer, health maintenance
17 organization, organization for dental care or nonprofit medical
18 service corporation, a fee for the actual expenses incurred by the
19 Board, the State or a participating public employer in administering
20 a plan of insurance offered by that insurer, organization or
21 corporation.

22 **Sec. 5.** NRS 287.045 is hereby amended to read as follows:

23 287.045 1. Except as otherwise provided in this section,
24 every officer or employee of the State is eligible to participate in the
25 Program on the first day of the month following the completion of
26 90 days of full-time employment.

27 2. Professional employees of the University and Community
28 College System of Nevada who have annual employment contracts
29 are eligible to participate in the Program on:

30 (a) The effective dates of their respective employment contracts,
31 if those dates are on the first day of a month; or

32 (b) The first day of the month following the effective dates of
33 their respective employment contracts, if those dates are not on the
34 first day of a month.

35 3. Every officer or employee who is employed by a
36 participating public agency on a permanent and full-time basis on
37 the date the agency enters into an agreement to participate in the
38 Program, and every officer or employee who commences his
39 employment after that date , is eligible to participate in the Program
40 on the first day of the month following the completion of 90 days of
41 full-time employment.

42 4. Every Senator and Assemblyman is eligible to participate in
43 the Program on the first day of the month following the 90th day
44 after his initial term of office begins.



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1 5. An officer or employee of the governing body of any
2 county, school district, municipal corporation, political subdivision,
3 public corporation or other public agency of the State of Nevada
4 who retires under the conditions set forth in NRS 1A.350 or 1A.480,
5 or 286.510 or 286.620 and was not participating in the Program at
6 the time of his retirement is eligible to participate in the Program 60
7 days after notice of the selection to participate is given pursuant to
8 NRS 287.023 or 287.0235. ~~[The Board shall make a separate~~
9 ~~accounting for these retired persons. For the first year following~~
10 ~~enrollment, the rates charged must be the full actuarial costs~~
11 ~~determined by the actuary based upon the expected claims~~
12 ~~experience with these retired persons. The claims experience of~~
13 ~~these retired persons must not be commingled with the retired~~
14 ~~persons who were members of the Program before their retirement,~~
15 ~~nor with active employees of the State. After the first year following~~
16 ~~enrollment, the rates charged must be the full actuarial costs~~
17 ~~determined by the actuary based upon the past claims experience of~~
18 ~~these retired persons since enrolling.]~~

19 6. Notwithstanding the provisions of subsections 1, 3 and 4, if
20 the Board does not, pursuant to NRS 689B.580, elect to exclude the
21 Program from compliance with NRS 689B.340 to 689B.590,
22 inclusive, and if the coverage under the Program is provided by a
23 health maintenance organization authorized to transact insurance in
24 this state pursuant to chapter 695C of NRS, any affiliation period
25 imposed by the Program may not exceed the statutory limit for an
26 affiliation period set forth in NRS 689B.500.

27 **Sec. 6.** NRS 287.046 is hereby amended to read as follows:

28 287.046 1. Except as otherwise provided in subsection 6, any
29 state or other participating officer or employee who elects to
30 participate in the Program may participate, and the department,
31 agency, commission or public agency that employs the officer or
32 employee shall pay the State's share of the cost of the premiums
33 or contributions for the Program from money appropriated or
34 authorized as provided in NRS 287.044. Employees who elect to
35 participate in the Program must authorize deductions from their
36 compensation for the payment of premiums or contributions for the
37 Program. Any deduction from the compensation of an employee for
38 the payment of a premium *or contribution* for health insurance must
39 be based on the actual ~~[cost of providing that health insurance]~~
40 *amount of the premium or contribution* after deducting any amount
41 of the premium *or contribution* which is paid by the department,
42 agency, commission or public agency that employs the employee.
43 ~~[As used in this subsection, "actual cost" includes any amount~~
44 ~~which has been approved by the Board and which is paid by any~~
45 ~~department, agency, commission or public agency of this state for:~~



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- 1 ~~—(a) A program of supplemental insurance;~~
- 2 ~~—(b) Subsidization of premiums for health insurance for~~
- 3 ~~dependents and retired participants;~~
- 4 ~~—(c) Administrative costs relating to the provision of the health~~
- 5 ~~insurance; and~~
- 6 ~~—(d) Costs required to maintain adequate reserves.]~~

7 2. The Department of Personnel shall pay a percentage of the
8 base amount provided by law for that fiscal year toward the cost of
9 the premiums or contributions for the Program for persons retired
10 from the service of the State who have continued to participate in
11 the Program. Except as otherwise provided in subsection 3, the
12 percentage to be paid must be calculated as follows:

13 (a) For those persons who retire before January 1, 1994, 100
14 percent of the base amount provided by law for that fiscal year.

15 (b) For those persons who retire on or after January 1, 1994,
16 with at least 5 years of state service, 25 percent plus an additional
17 7.5 percent for each year of service in excess of 5 years to a
18 maximum of 137.5 percent, excluding service purchased pursuant to
19 NRS 1A.310 or 286.300, of the base amount provided by law for
20 that fiscal year.

21 3. If the amount calculated pursuant to subsection 2 exceeds
22 the actual premium or contribution for the plan of the Program that
23 the retired participant selects, the balance must be credited to the
24 Fund for the Public Employees' Benefits Program created pursuant
25 to NRS 287.0435.

26 4. For the purposes of subsection 2:

27 (a) Credit for service must be calculated in the manner provided
28 by chapter 286 of NRS.

29 (b) No proration may be made for a partial year of service.

30 5. The Department shall agree through the Board with the
31 insurer for billing of remaining premiums or contributions for the
32 retired participant and his dependents to the retired participant and
33 to his dependents who elect to continue coverage under the Program
34 after his death.

35 6. A Senator or Assemblyman who elects to participate in the
36 Program shall pay the entire premium or contribution for his
37 insurance.

38 **Sec. 7.** NRS 287.0475 is hereby amended to read as follows:

39 287.0475 1. A public *officer or* employee who has retired
40 pursuant to NRS 1A.350 or 1A.480, or 286.510 or 286.620, or a
41 retirement program provided pursuant to NRS 286.802, or the
42 surviving spouse of such a retired public *officer or* employee who is
43 deceased may, in any even-numbered year, reinstate any insurance,
44 except life insurance, which was provided to him and his dependents



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1 at the time of his retirement pursuant to NRS 287.010 or 287.020 or
2 the program as a public *officer or* employee by:

3 (a) Giving written notice of his intent to reinstate the insurance
4 to ~~{the employee's}~~ *his* last public employer not later than
5 January 31, of an even-numbered year;

6 (b) Accepting the public employer's current program or plan of
7 insurance and any subsequent changes thereto; and

8 (c) Paying any portion of the premiums or contributions of the
9 public employer's program or plan of insurance, in the manner set
10 forth in NRS 1A.470 or 286.615, which are due from the date of
11 reinstatement and not paid by the public employer.

12 The last public employer shall give the insurer notice of the
13 reinstatement no later than March 31, of the year in which the public
14 *officer or* employee or surviving spouse gives notice of his intent to
15 reinstate the insurance. ~~{The insurer shall approve or disapprove the~~
16 ~~request for reinstatement within 90 days after the date of the~~
17 ~~request.}~~

18 2. Reinstatement of insurance excludes claims for expenses for
19 any condition for which medical advice, treatment or consultation
20 was rendered within 6 months before reinstatement unless:

21 (a) The person has not received any medical advice, treatment or
22 consultation for a period of 6 consecutive months after the
23 reinstatement; or

24 (b) The reinstated insurance has been in effect more than 12
25 consecutive months.

26 *3. The last public employer of a retired officer or employee*
27 *who reinstates insurance, except life insurance, which was*
28 *provided to him and his dependents at the time of his retirement*
29 *pursuant to NRS 287.010 or 287.020, shall, for the purpose of*
30 *establishing actuarial data to determine rates and coverage for*
31 *such persons, commingle the claims experience of such persons*
32 *with the claims experience of active and retired officers and*
33 *employees and their dependents who participate in that group*
34 *insurance or medical and hospital service.*

35 **Sec. 8.** 1. Notwithstanding the provisions of NRS 287.0475,
36 an officer or employee of a governing body of a county, school
37 district, municipal corporation, political subdivision, public
38 corporation or other public agency of the State of Nevada who
39 joined the Public Employees' Benefits Program upon retirement
40 pursuant NRS 287.023 or 287.0235 may join the group insurance or
41 medical and hospital service established by the governing body
42 pursuant to NRS 287.010 or 287.020 to the extent that such
43 coverage is not provided to him or a dependent by the Health
44 Insurance for the Aged Act, 42 U.S.C. §§ 1395 et seq., upon
45 notifying the governing body during the period established pursuant



1 to subsection 2 and assuming the costs of that coverage that are not
2 paid by the governing body.

3 2. Each governing body shall have a period of open enrollment
4 between September 1, 2003, and January 31, 2004, during which
5 eligible retired persons described in subsection 1 may join the group
6 insurance or medical and hospital service established by the
7 governing body pursuant to NRS 287.010 or 287.020.

8 3. The governing body shall, on or before September 1, 2003,
9 notify eligible retired persons of the period of open enrollment by:

10 (a) Mailing a notice regarding the period of open enrollment to
11 all retired persons who are, according to its records, eligible to join
12 its program of group insurance or medical and hospital service;

13 (b) Posting a notice of the period of open enrollment at its
14 principal office and at least three other separate prominent places,
15 such as a library, community center or courthouse; and

16 (c) Publicizing the period of open enrollment in any other
17 manner reasonably calculated to inform additional eligible retired
18 persons.

19 4. For the purpose of establishing actuarial data to determine
20 rates and coverage for persons who enroll in the group insurance or
21 medical and hospital service of a governing body pursuant to this
22 section, the governing body shall commingle the claims experiences
23 of those persons with the claims experience of active and retired
24 officers and employees and their dependents who participate in the
25 group insurance or medical and hospital service.

26 **Sec. 9.** The provisions of NRS 354.599 do not apply to any
27 additional expenses of a local government that are related to the
28 provisions of this act.

29 **Sec. 10.** 1. This section and section 8 of this act become
30 effective on July 1, 2003.

31 2. Sections 1 to 7, inclusive, and 9 of this act become effective
32 on October 1, 2003.

